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ABSTRACT

New York City, Buffalo, Rochester, Syracuse, and Yonkers share many qualities of cities in the Northeast including blighted neighborhoods, deserted factories, heavy municipal debt, shrinking constitutional taxing and borrowing limits, reductions in services, an aging housing market, substantial unemployment, and financially dependent school districts. The economies of these once prosperous urban areas are undergoing transition. When the costs to the nation of urban economic decline are calculated, the importance of urban recovery should receive heightened Federal and State attention and action. The cities' responses to severe financial conditions, by reducing expenditures and by developing revenue sources, have been short-run attempts which have met the immediate emergency of maintaining and restoring fiscal integrity. Federal revenue sharing has become a stop-gap program in the face of recession and inflation. A fundamental economic turnaround is needed to restore the cities' viability. Such action should come in the form of a large infusion of permanent intergovernmental aid. (RLV)

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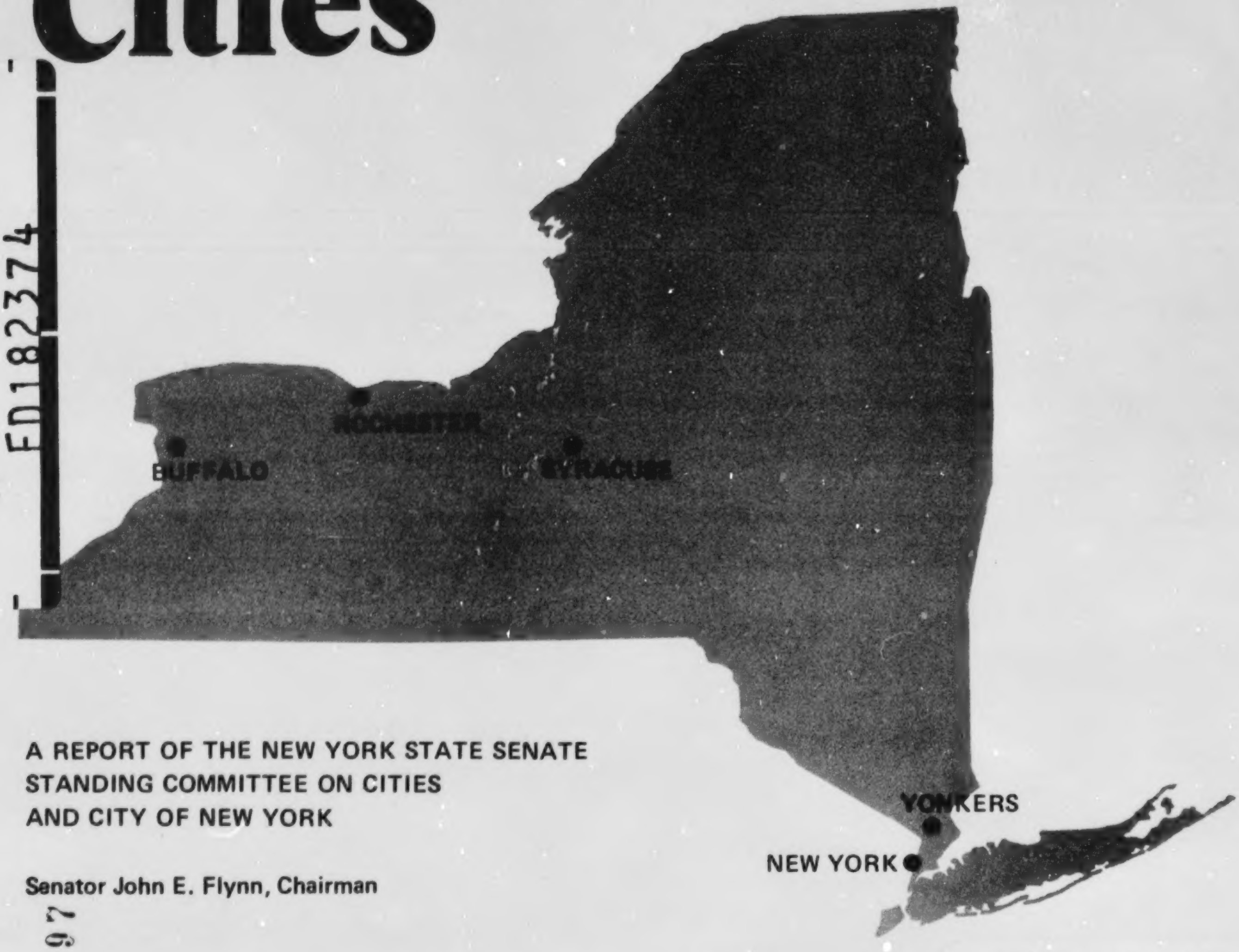

A REPORT OF THE NEW YORK STATE SENATE
STANDING COMMITTEE ON CITIES
AND CITY OF NEW YORK

Senator John E. Flynn, Chairman

UD020097

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A TALE OF FIVE CITIES

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March 15, 1978

PREFACE

The cities of our State, particularly the Big Five - New York City, Buffalo, Rochester, Yonkers and Syracuse - are having severe fiscal problems. We have researched the past ten years to determine the reasons for this situation. It is most interesting to relate the diversified factors which played such a vital role in developing this fiscal crisis.

In our report The Tale of Five Cities, we have highlighted the elements that have changed - new programs forced on the cities - the saturation point of real property taxes - increased social services costs - use of Hurd legislation, etc. While it is easy to understand how we arrived at this present fiscal situation, it is interesting to note the variations in certain factors which played an important role in the history of an individual community.

While we bring to you the real story of the crisis in the Big Five Cities, we also spell out a series of suggestions that should be evaluated in terms of improving the cities' posture. Our Committee will extend an invitation to the Big Five to meet with us and review the facts and proposals presented in our report.

John E. Flynn

John E. Flynn, Chairman
New York State Senate Committee
on Cities

P.S. I wish to express my deep appreciation to Sandra L. Stanley, Legislative Research Assistant on my staff for her excellent contributions in the preparation of this report.

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CHAPTER I

THE CITIES IN CONTEXT

During the Seventies, the economic environment of the United States changed dramatically. Two recessions, double digit inflation, disruption of energy markets and the quadrupling of oil prices, stagflation in recovery efforts, have created difficult economic conditions throughout the Nation. Such national economic uncertainties and constraints, and the rapid succession of these economic fluctuations during the Seventies, collided heavily with the economic realities of major cities in the Northeastern United States.

For two decades, the "Big Five" cities of New York State have been characterized by deteriorating populations, increasing concentrations of service dependent populations, obsolete public works, aging residential areas, severe declines in productive taxpaying residents, and decentralized manufacturing. Such defining trends, and the resultant status of economic deterioration for these cities by 1969, meant, in the face of such national and international disruptions during the Seventies, an economic crisis of depression proportions.

A. ECONOMIC DECLINE OF THE CITIES: SOME REASONS

The difficulties of the older, once prosperous, central cities are well-known. They have been set in motion by several divergent activities. (1) The mobility of the American people, in their movement from city-to-suburb, from the Northeastern States to the Southern and Western regions of the United States, from rural areas to urban centers of the North, has reached a major historic turning point unlike any since the pre-1890 period in the United States.[1] Smaller scale living environments and those qualities associated with a more rural life attract those economically self-sufficient; the pursuers of economic opportunity, or those in economic dependence elect the traditional haven of the cities. (2) Federal policies have, since the Thirties, continued to reflect the economic priorities of rural poverty, rather than the present day realities of urban poverty.[2] (3) Economic resurgence of the Southern states may be directly attributable to federal policies locating defense and space industry spending disproportionately heavily in the South and to federal policies redistributing national income in enormous proportions to the Southern and Western regions of the United States. (4) The changing needs of manufacturing technology, obsolete facilities, more restrictive immigration policies, less expensive energy, international economic competition, lower labor costs, lower taxes, less congestion, and more favorable climates contributed to the industrial exodus from the Northeast to the Sunbelt states and the movement of energy intensive and low-wage industries overseas. (5) The interstate highway system, begun in 1958, promoted the shift from rails to wheels as the dominant mode of transportation. Federal railroad reorganization and reconstruction endeavors have yet to trigger visable economic redevelopment. Inner city highways intersected and effectively destroyed neighborhoods. (6) Private investment and land speculation in the inner cities, rewarded by federal tax incentives, state penalties against improvements and Model Cities abuses, have fostered high land costs and decaying housing in the cities. (7) The growth of public enterprises with social purposes was capped by a more conservative approach when an aggressive federal role was relaxed in favor of private enterprise and local government initiative.[3] (8) Until the advent of the State and Local Assistance Act of 1972 federal housing assistance meant urban economic development, financing of the United States Economic Development Administration remaining miniscule.[4] Housing assistance or urban renewal too often meant slum clearance and large scale destruction of city blocks. Federal Housing Authority mortgages were granted for new suburban construction, while the restoration of inner city housing proved to be economically unfeasible. (9) Developments in the communications industry facilitated decentralization of manufacturing. (10) Competition between individual cities intensified and now means competition with other parts of the country and other parts of the world for economic resources and for the prize of being chosen the location of profit-making activities. (11) The creation of a welfare system by the federal government, which asks welfare recipients to make irrational decisions and rewards tenants who set fire to apartments "with money to make a fresh start", has been a factor in the abandonment of the cities.[5] (12) Policies of New York State with respect to economic development of the cities have been less than concerned expressions. State aid for education has declined from 48% in 1968 to 38.6% in 1977. State revenue sharing has been reduced from 21% of state personal income tax collections in 1971 to 18%, and that has been frozen at 1976 levels since 1976. Deaf ears have been turned to the cities' pleas for assistance in the face of deteriorating fiscal solvency. State taxation measures and federal

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international economic policies have driven industry from the state. Unlike all other states, local governments were required to continue financing welfare costs. Only when faced with the realities of municipal bankruptcy has the state and federal government listened and responded. None of these activities, it must be emphasized, were intentional. All were undertaken with the most honorable of motives. The consequences of such individual policies and programs were unforseen and unimagined. However, the implications of the confluence of these activities, and the financial ramifications recently visited upon the Cities of New York, Buffalo and Yonkers, compel attention and response by national, state and local government leaders.

B. THE BIG FIVE CITIES IN NEW YORK STATE: A DESCRIPTION

Today, the "Big Five" Cities of New York State - Buffalo, Rochester, Syracuse, Yonkers and the City of New York, the only cities in the State having populations of 125,000 people and over - exhibit characteristics in common with other large cities in the United States. In particular, they share qualities of older cities of the Northeast.

- acres of rotting or abandoned tenements, blighted neighborhoods, and inadequate housing for the poor and the elderly;

- deserted factories and a multiplicity of vacant multi-story industrial plants obsolete for present technologies of production;

- crushing municipal debt that forces payment for past operations rather than presently needed services;

- shrinking constitutional taxing and borrowing limits with increasing costs for municipal services;

- budgetary conditions, and lack of confidence in cities from bond markets, making requisite reduction in services and massive lay-offs of municipal employees;

- an aging housing market, most homes built before 1939, and deteriorating water and sewer systems constructed one hundred years ago with capacity for much smaller populations;

- blocks of open spaces, a consequence of urban renewal destruction and, more recently, arsonists;

- substantial unemployment from recent recessions, compounded by diminished employment opportunities because of disinvestment by former industrial and commercial employers;

- shortage, or unavailability, of capital for municipal bond purchase and for expansion of remaining businesses, often because greater sums may be made by other investments;

- fiscally dependent school districts, independent of municipal oversight yet drawing heavily upon the municipal tax base;

- faltering downtown business districts and declining commercial and retail trade, pothole pitted streets, congested traffic flow patterns, and insufficient parking space;

- lack of space for solid waste disposal and funding for new environmentally-conscious methods of disposal;

- national gas shortages necessitating business interruptions, while utility costs in some areas soar to three times the cost to the other consumers; and

- a shrinking taxpaying public due to unemployment, an influx of elderly and lower income persons, general population decline, and greater burdens on residential and remaining corporate taxpayers who must assume the cost of taxes formerly shouldered by relocated industries or organizations and individuals now deemed tax exempt.

The deterioration of our oldest and largest cities, those produced by the Industrial Revolution, must be halted.

C. NATIONAL ACTIONS: THE FUTURE

The Carter Administration is expected to announce in March 1978 its strategy for a comprehensive national urban policy.[6] Earlier actions, in 1977, indicate that the President intends to make the welfare of the cities, in particular, the issue of the older cities, a major domestic concern. The key policy thrust, which has emerged from Administration sources, will be reliance upon, and promotion of, private investment in the cities.[7] Frequently mentioned mechanisms are a national urban development bank and tax incentives for investment in cities with large areas of unemployment. Job creation and retention in the private sector, with reduced emphasis upon the provision of employment by public entities, will be cardinal elements of such policy proposals. Federal concern has been expressed about lack of state leadership, less than vigorous efforts to cooperate among local governments, little endeavors to implement regional approaches, and growing rivalry between sections of the United States currently major beneficiaries of federal assistance and those areas with mature cities.[8] The advice of the United States Conference of Mayors, the National League of Cities, the International City Managers Association, the Southern Growth Policies Board, and the Northeast-Midwest Economic Advancement Coalition will be sought.

The dependency of the cities today on current federal economic stimulus programs has just begun to be realized by official Washington. As the New York Times reported November 6, 1977:

> "The economic stimulus programs have become an essential ingredient in the budgets of the nation's major cities, in some instances all that remains between their survival and financial collapse Within the Administration, a debate is just beginning whether the stimulus program, or something it, will have to be continued indefinitely. that is the case, it could torpedo President Carter's to balance the Federal budget by 1981 and make it to revise the welfare system without additional cost to the Government."[9]

Adding to the difficulties in gauging the future are the turbulent economic years of the early Seventies, the continuing persistent rate of high employment, concern with inflation, and the shift in the international economic structure yet to emerge from the energy situation.

It is believed, therefore, and initial reports from the Carter administration so confirm, that the report to the President in January 1978 by the National Urban and Regional Policy Force, chaired by the Secretary of Housing and Urban Development, will be quite cautious in its recommendations. Proposals for the redesign of numerous existing federal policies and programs in housing, transportation, commerce and treasury will be offered. Little new monies are anticipated.[10] Apparently, the development of a more comprehensive approach to urban America will await the results of the National Conference on Balanced Growth, to be held in February 1978, and a report from the National Commission on Neighborhoods, expected in June 1978. A commitment to the cities can come only with the development of a comprehensive economic policy.

It is known that a recent report by the International Downtown Executives Association, prepared for the United State Department of Housing and Urban Development, confirms that the central cities are continuing to lose businesses and population. Some "revival" stories are current. These occasional stories are hopeful, but isolated, instances and, in no way, may be characterized as trends. Essentially three kinds of urban revival activities are occurring: (1) Young professional individuals and families are restoring once fashionable brownstones in transitional neighborhoods near downtown office districts. (2) New downtowns, with an office building-shopping center-hotel complex theme, are under construction, supplemented more recently with convention centers. (3) The cultural diversity of inner city living is attracting the rebuilding of downtown neighborhoods.[11] Although the completion of the report received national publicity in October 1977, copies of the report were unavailable from the United States Department of Housing and Urban Development pending the Department's review and editing of the report.

What is clear is that, if a comprehensive urban revitalization policy is to emerge from the Congress which will meet with the President's approval, several hard decisions must be made in the months and years ahead. A policy most sensitive to the older cities of the Northeast would include: (1) reassessment of all federal programs to counter-balance the "suburban tilt" of all such policies and programs, ranging from highway development through tax incentives to mortgage insurance, to education aid; (2) federal employment programs to stimulate jobs in the inner city, directed particularly to youth; (3) tax incentives to induce industrial and commerical development in the inner city; (4) energy pricing policies to compensate the Northeast for its disadvantaged position of scarce energy sources; (5) location of major federal installations inside the inner city; (6) readjustment of all federal formulas to weight such formulas by ridership and transit miles, in the instance of mass transit, or by the amount of deteriorating characteristics of urban areas, whether old housing, the extent of population growth lag, unemployment, etc. Special new federal monies must be targeted toward the most distressed communities.[12]

The Congress is beginning to view the revitalization of the cities as the potential "great growth industry of the Eighties". A 1977 report by the Subcommittee on the City, Committee on Banking, Finance and Urban Affairs, United States House of Representatives, stated:

> "As an interesting spin-off, the resurrection of the American City could make an economy that has been stagnating for a decade begin to hum. Resuscitating Stuttgart and Hamburg and Munich from the rubble of World War II not only made habitable and gracious centers of living; it helped stir the West German postwar economic miracle....Our country should do likewise, and speedily."[13]

D. RECENT DEVELOPMENTS IN THE BIG FIVE CITIES

In February 1975, the New York State Urban Development Corporation, a major State agency, defaulted temporarily in the payment of principal and interest on maturing bond anticipation notes. In early 1975, the financial condition of the City of New York began to merge with the financial problems of the State. Further deterioration of New York City's fiscal affairs resulted in the City's inability to find sufficient funds to pay the costs of municipal services or to meet upcoming maturities of its indebtedness. Soon thereafter, in March 1975, the market closed its doors, making any further borrowing by the City of New York impossible. By September 1975, the financial crisis of the City necessitated the active intervention of the State in the City's financial affairs.[14]

During 1975, several other municipalities and school districts encountered difficulty in marketing their obligations. In October 1975, Buffalo found the market closed and, rejecting state intervention in its internal financial affairs, through private borrowing from a consortium of area industries and banks, sought to put its house in order by establishing a program of deficit reduction to reestablish its ability as a city to reenter the bond market.[15] In November 1975, the City of Yonkers found its improvident financial practices questioned and the State declared a state of financial emergency in this City.[16] Throughout 1975 and early 1976, the State's involvement in various of these crises, including particularly that affecting the City of New York (which has been substantial and is likely to be of relatively long-term duration), coupled with operating deficits of the State in 1975 and a rumored although unsubstantiated deficit for 1976, adversely affected New York State's own credit standing and that of other State agencies. Public borrowing by the State and certain of its agencies became much more difficult. These events contributed to a reluctance on the part of many investors to purchase obligations by State, local government, and other public bodies within the State. Federal deficits mounted and, to meet its borrowing needs, numerous federal offerings were floated paying higher investment returns than municipal and state securities. These factors resulted in a substantial increase in interest rate levels required to be paid by bond issuers within the State.[17]

1976 saw the State's rumored deficit not materialize. The Federal Government, at the behest of city and state officials, intervened in the financial affairs of the City of New York with the New York City Seasonal Financial Act of 1975. To ease the seasonal financial needs of the City, arising from differences in timing between the making of expenditures and the receipt of revenues within each fiscal year, New York City was authorized to secure from the United States Secretary of the Treasury short-term loans up to a certain sum for each of the three subsequent fiscal years. The first such request from the City was initiated December 31, 1975.[18]

The Emergency Financial Control Boards, established for the Cities of New York and of Yonkers, began their scrutiny of revenue-expenditure patterns, budgeting, and taxing practices. Inquiries expanded when inadequate regard for proper financial accounting procedures, inappropriate deferral of current expenditures, increased dependence upon State legislation approving the financing of resultant deficits, substantially underestimated expenditures, inflated estimates of revenue sources, and non-existent or ineffective management information system, were discovered. The Control Boards were made responsible for: (1) the supervision of these cities' fiscal affairs; (2) the development of individual Financial Plans for these cities for two subsequent years, which would reduce expenditures to levels of anticipated revenues and would work toward orderly retirement of accumulated debt; and (3) the review and audit of each city's operations, to assure sound management practices were instituted and to guarantee that operations were conducted in accord with the Financial Plans.

All three cities - Buffalo, New York City and Yonkers - embarked on programs of expenditure and deficit reduction. In the City of Buffalo, although known for its conservative fiscal practices, economic decline had reached the point where the following actions were deemed essential to restore the financial integrity of the city: (1) municipal employment was reduced by 22.4% from 1974 to 1978, while educational employment declined 7.1% over this same time period, through elimination of positions, encouragement of early retirement, and actual layoffs; (2) closings of six fire stations, two recreation centers, four senior citizens programs; (3) imposition of an occupancy tax on municipal housing authority residents; (4) elimination of new high school construction; (5) reduction of solid waste collection from backyard to curbside, on holidays, and for special commercial reasons; (6) consolidation of youth and recreation departments; (7) the establishment of centralized services for all city departments, such as purchasing, mailing, publishing; and (8) retirement of past accumulated deficits by more than 33% during fiscal year 1975-76 and an additional 22% during fiscal year 1976-77. Fiscal year 1975-76 closed with a surplus, a major achievement for Buffalo given that, for the four preceding fiscal years, the City had concluded each year with deficits of some magnitude.[19] In the City of Yonkers, the following measures were instituted: (1) municipal employment was reduced by 16.6% from 1974 to 1978, while educational employment declined by 6.6% over this same time period; (2)

consolidation of parks and public works departments; (3) increase in real property taxes to constitutional tax limit levels; (4) closure of seven schools; (5) imposition of wage and salary freeze; (6) county assumption of solid waste disposal and closing of the city incinerators; and (7) sanitation crew reductions.[20] The City of New York (1) severely constricted its municipal employment level, decreasing municipal presonnel by 23.1% from 1974 to 1978, while educational employment declined 31.1% over these same years; (2) instituted several management reforms, including an integrated financial management system, which will systematically monitor revenue and expenditure flows on all city operations; and (3) established an economic recovery plan directed toward economic stabilization of the City's revenue base.[21] These cities were supported in their fiscal expenditure reduction efforts by State aid advances ahead of scheduled payment dates, other State assistance in the form of loans, the declaration by the State of a debt moratorium for New York City, the creation of a Municipal Assistance Corporation for New York City, agreements by holders of maturing New York City and Yonkers notes to rollover their securities, prepayment of real property taxes, and the issuance of tax receivable notes, among other measures.

Relatively prosperous and highly taxed Rochester and Syracuse, with relatively stable economic bases and conservative budget practices, were forced, by budgetary realities and by deepening sensitivity to the financial situation of the other cities and of city-state relations, to reduce expenditures. Rochester (1) eliminated 14.7% municipal positions from 1974 to 1978; (2) determined to contract privately street resurfacing programs, parking garage operations, building security and janitorial services; (3) instituted various productivity measures, such as refuse route reorganization and consolidation, refuse crew size reduction, fire attack squads, and civilianization of police and fire departments; (4) county assumption of solid waste disposal collection; (5) increased real property taxes, miscellaneous fines and fees, service charges; (6) consolidated bank accounts and invested idle case for high interest returns; and (7) adopted the policy to convert short-term notes into long term bonds.[22] Syracuse has (1) reduced municipal employment by 11.9% from 1974 to 1978, with educational employment declining 2.0% during this same time; (2) implemented several productivity measures, which eliminated positions, including crew size reductions in waste collection, airport security, water bureau operations, parks, and public security; (3) reduced the number of sanitation routes by 15%;

(4) initiated the installation of a signal phase selection system, which permitted the elimination of 30 firefighting positions; and (5) effected county assumption of baseball parks, public libraries and the zoo.[23]

In the spring of 1977, Buffalo returned to the bond market. Yonkers was successful in its efforts to regain access to the market in the early fall of 1977. Both cities have brought their budgets into balance, established plans for scheduled deficit reductions, and have implemented new fiscal management procedures to assure operations continue on a current cash basis.

New York City will apparently not realize its objective of a balanced budget by the fiscal year ending in 1978. In its first venture into the credit market since March 1975, Moody's Investment Service gave the offering its lowest possible investment-grade credit rating. City underwriters cancelled the sale, commenting:

> "The City's overall financial position is so precarious as not to preclude the possibility of bankruptcy in future years."[24]

City observers responded that probably the borrowing needs of the City in the years ahead would, of necessity, have to depend on the Municipal Assistance Corporation and the Federal Government. Management systems have been installed which have become operational only in the past few months. Close monitoring of actual operating costs against budgeted expenditures and accruing revenues on a daily basis promises quicker attention to deficit producing operations during this, and subsequent, fiscal years. Several alternatives for the elimination of waste and for gaining revenues due to the City are available, which may be employed toward deficit reduction in the current fiscal year, and future years. The New York City Seasonal Financial Act of 1975 must be renewed by the Federal Government during the second session of the 95th Congress An effort to renew such assistance, even for a fixed term of years, will be subject to severe scrutiny by the Congress and the Federal Administration.[25] Recent reports seriously question the need for a continued federal presence in the financial affairs of the City.

The State Comptroller has recently reported that public agencies in New York have successfully weathered the bond maeket storm of 1975 and 1976. Currently, all such agencies are paying interest rates at levels comparable to those available before 1975.[26]

E. STATE ACTION:
THE NEW YORK STATE SENATE STANDING COMMITTEE ON CITIES

The New York State Senate Standing Committee on Cities has been very deeply involved in the consideration and development of state legislation over the past few years to assist, most particularly, these distressed cities of New York.

The irony, which characterizes most all of the cites of New York State, even much of the aging cities of the Northeast, has been brought into sharp relief by the courageous actions taken by the Big Five Cities in New York State over the past five years. That irony is, even while such cities may remain technically solvent, or may be brought to that posture in each fiscal year (thus being able to market their securities), those same cities must deal with the underlying forces of acute economic deterioration that characterize and threaten their existence as fiscal entities. In many cases, these economic realities are beyond the control of the cities as individuals.

With the experience of several years in city affairs, the New York State Senate Standing Committee on Cities, joined by the New York State Assembly Standing Committee on Cities, conducted hearings in the fall of 1977. Spending a day in each of the Big Five Cities, the Committee benefited greatly from the diversity of insights and experience of numerous city officials, educational leaders, council members, union officials, leading area businessmen, interested citizens, and taxpayer associations.

The Committee was pleased to note the firm resolve of local government officials to restore the fiscal integrity of the cities; to return economic opportunity to their residents by retaining business, encouraging expansion, and capturing new investments; and to conduct the affairs of the cities effectively and efficiently, not simply for the city as a city, but most importantly, for the city as a collection of individual citizens.

CHAPTER II

ECONOMIC REALITIES TO THE BIG FIVE CITIES

At a time when the taxable capacities of private properties are exhausted or nearing exhaustion, the pressure of demographic and economic transitions on the growth of the cities, and their attendant fiscal implications and consequences, adds to the tension which makes these cities increasingly susceptible to financial emergencies.

This chapter will outline the transitions, which the Big Five Cities are undergoing, with respect to declining populations, increasingly service dependent populations, unemployment levels, emerging industrial patterns, and the strengths and problems of the individual city's economies.

This analysis was done because these factors influence directly or indirectly, the cities tax bases, revenues, expenditures and economic structure. These factors affect the ability of the cities to impose and collect, and the ability of city residents to pay, taxes. The analysis is limited and intended only to indicate the changing citizenries and urban realities of these cities.

A. CITY POPULATIONS

The counties surrounding the Big Five cities have, and are projected to continue to have, growing populations. This suggests that the market for goods and services and available labor and employment opportunities will also increase in the counties.

(1) Population: Decline

All cities are projected to experience further reductions in population during the next decade.

The cities of Buffalo, Rochester and Syracuse reached their most populated levels in 1950 and have steadily declined in population size each subsequent decade. Buffalo has experienced the most severe dislocation, losing 30% of its population from 1950 to 1977. During this same time span, Rochester and Syracuse lost 20%, and 17.2%, respectively, of their residents. The City of New York has remained relatively stable over these decades. The decline of 5.2% in its population from 1970 to 1977 is significant, however, and implies a continuing contraction in its population base in future years. Yonkers experienced a marked increase in its population, adding 26.2%, new residents over these decades. From 1970 to 1977, Yonkers declined in population by 5.8%. This downward trend is expected to continue.

In contrast, the population of New York State was augmented by a 21.1% influx of new residents, and the Nation added 34.3% to its population from 1950 to 1977. (Table II).

Numerous reasons for the predicted continuation of shrinking populations in the cities are given. Most commentators propose that declining city populations may be attributed to slackening in birth rates, mobility conferred by the automobile, new employment opportunities, career advancement patterns, highway development, changes in living styles, longer term mortgages, a confluence of federal development policies, and other social trends and economic conditions.

During the Sixties, it was popular to attribute the migration movement to changes in racial mixes or increasing crime rates and to the economic opportunities offered in the industrial Northeast. During the Seventies, conventional wisdom has challenged several assumptions about migration. The primary motivating force cited today for industrial, commercial, and residential relocation is seen as a response to high property taxes in the cities.[1] It has become clear also that migration has added a new dimension during the Seventies. What began as suburbanization, movement to outlying areas on the periphery of the cities during the Fifties, has accelerated to mean departure from the Northeast to Southern and Western regions of the United States or the establishment of new industries in the South and Western areas of the United States in the Seventies.

The overall trend toward smaller populations in the cities suggests that the cities will experience a decline in the available labor force, a decreasing resident market, and, therefore, a diminished demand for retail and wholesale

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goods and services within the cities. The city decline-county increase trend promises that the rapid growth, and high costs of suburban land development, may reach cost levels equal to, or higher than, the costs of doing business or living within the cities. This condition may initiate a return to the cities. Unknown is whether the energy crisis will result in a return to the cities in recognition of the fact that the city is the most energy efficient form of human living arrangement yet devised.

TABLE I

Population Trend: Years 1950-1977 Big Five Cities of New York State

City	Population Number 1950[1]	1960[1]	1970[1]	1977[2]
Buffalo	580,132	532,759	462,768	407,160
Rochester	332,448	318,611	296,233	267,173
Syracuse	220,583	216,038	197,297	182,543
Yonkers	152,798	190,634	204,297	192,509
New York City	7,891,957	7,781,984	7,894,851	7,481,613
New York State	14,830,192	16,782,304	18,236,967	18,084,000
United States	151,325,798	179,323,175	203,211,926	

Source: [1] Preliminary Official Statement —Gerneral Obligation Serial Bonds: Buffalo (March 1977); Rochester (March 1977); Syracuse (November 1976); Yonkers (September 1976); New York City (May 1977).

[2] U.S. Department of Treasury, State and Local Data Elements and Estimated Allocations; 9th Entitlement Period, U.S. Government Printing Office; Washington, D.C., July 1977

TABLE II

PERCENTAGE CHANGE IN POPULATION: Years 1950—1977

Big Five Cities of New York State

City	Change 1950—1960 %	Change 1960—1970 %	Change 1970—1977 %	Change Peak Year 1977 %
Buffalo	-8.2	-13.1	-12.0	-30.0
Rochester	-4.2	-7.0	-9.8	-20.0
Syracuse	-2.1	-8.7	-7.5	-17.2
Yonkers	+24.8	+7.2	-5.8	-5.8
New York City	-1.4	+1.5	-5.2	-5.2
New York State	+13.2	+8.7	-.8	-.8
United States	+18.5	+13.3	+2	+2

Source: Computed from Table I.

(2) Service Dependent Population: Increase

The reduction in city populations is not uniform for all ages, income groups, or persons migrating to the cities from other areas of the United States or immigrating to the United States from other countries.

All Big Five Cities have experienced significant increases in service dependent groups from 1950 to 1970. Service dependent groups include persons 19 years of age or younger, persons aged 20 to 24, persons aged 60 and over, low income persons, and persons migrating to the Northeastern States or immigrating to the United States. It is anticipated that these cities will find these trends more accentuated in this and the coming decade.

(a) Migration and Immigration: Increase

Each of the Big Five Cities has absorbed a dramatic increase in the percentage of migrants and immigrants choosing to reside in the cities. For example, Buffalo's migrant population increased from 6.5% of its total aggregate population in 1950 to 21.3% in 1970, or a total of 14.8%. Rochester has seen its migrant population grow from 2.4% in 1950 to 17.6% in 1970, for a total increase of 15.2%. The City of Yonkers received the smallest number of migrants and immigrants, such population groupings increasing but 3.8% from 1950 to 1970. It is reported, however, that the City of Yonkers during the 1970's, has absorbed a substantial influx of new residents, primarily from the Middle East.

TABLE III

Migration and Immigration Trends: Percent of Aggregate Populations:

Years 1950—1970

Big Five Cities of New York State [1]

City	1950 %	Year 1960 %	1970 %	Percent Increase 1950—1970 %
Buffalo	6.5	13.8	21.3	14.8
Rochester	2.4	7.6	17.6	15.2
Syracuse	2.3	5.7	12.0	9.7
Yonkers	3.3	4.2	7.1	3.8
New York City	9.8	14.7	23.4	13.6
New York State	6.5	8.9	13.2	6.7

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[1] New York State Statistical Yearbook 1974, Office of Statistical Coordination, New York State Division of the Budget, Albany, New York (July 1974), pp. 58, 62-63.

(b) Youth and Aged: Increase

Each city has absorbed a greatly enlarged population of younger people aged 20 to 24. For example, the City of Yonkers has seen persons in this age group increase to constitute 54.5% of its total aggregate population from 1960 to 1970. The City of Buffalo has watched its younger population grow 27.9% in this same time period. (Table V).

With respect to older Americans, or those persons aged 60 and over, and the very young, those persons under 19 years of age, two patterns among the cities emerged during the 1960's. Whereas the cities of Buffalo, Rochester and Syracuse experienced a decline in both age groups, the cities of Yonkers and New York City experienced a modest increase in young persons and a significant increase in persons aged 60 and older. For example, while Buffalo's young population declined 10.8% from 1960 to 1970, New York City's young people increased 5.5%. Similarly, while Rochester's elderly population declined 12.0%, Yonkers elderly population increased 36.1% from 1960 to 1970. (Table V).

(c) Wage Earnings and Tax Generating Citizes: Decline

Each city has sustained a major loss in its wage earning and tax generating population, or those persons in the age brackets of 25 to 44 years and of 45 to 59 years. Within the age 25 to 44 years of age group, its population decreased, between 1960 and 1970, 30.0% in Buffalo, 18.0% in Rochester, 26.1% in Syracuse, 6.9% in Yonkers, and 6.9% in New York City. Within the 45 to 59 years of age group, its population decreased in four of the Big Five Cities between 1960 and 1970: Buffalo, 14.6%; Rochester. 16.6%; Syracuse, 12.6%; and New York City, 11.3%. Yonkers 45 to 59 years of age group increased 6.1% in this same time period. (Table V).

Table IV

Population by Age-Number: Years 1960 [1] — 1970 [2]

Big Five Cities of New York State

(# Thousands)

City	Year	Below 19 Years	20 to 24 Years	25 to 44 Years	45 to 59 Years	Over 60 Years
Buffalo	1960	179	32	136	97	90
	1970	160	40	96	82	85
Rochester	1960	102	21	79	55	62
	1970	101	30	64	46	54
Syracuse	1960	73	16	54	36	37
	1970	68	23	40	32	35
Yonkers	1960	62	10	52	39	26
	1970	64	16	48	41	36
New York City	1960	2,345	483	2,138	1,584	1,243
	1970	2,474	650	1,991	1,405	1,373

[1] U.S. Bureau of the Census. U.S. Census of Population 1960 (U.S. Government Printing Office, Washington, D.C., 1963).

[2] U.S. Bureau of the Census. Census of Population and Housing 1970. Census Tracts. Final Report PHC(1)-35 Buffalo, N.Y. SMSA; PHC(1)-176 Rochester, N.Y. SMSA; PHC(1)-209 Syracuse, NY. SMSA; PHC(1)-145 New York, N.Y. SMSA, Part I (U.S. Government Printing Office, Washington, D.C., 1972).

TABLE V

Percentage Change in Population by Age: 1960 and 1970

Big Five Cities of New York State

City	Below 19 Years %	20 to 24 Years %	25 to 44 Years %	45 to 59 Years %	Over 60 Years %
Buffalo	-10.8	+27.9	-30.0	-14.6	-5.3
Rochester	-.9	+45.0	-18.0	-16.6	-12.0
Syracuse	-6.9	+41.0	-26.1	-12.6	-4.6
Yonkers	+2.4	+54.5	-6.9	+6.1	+36.1
New York City	+5.5	+34.6	-6.9	-11.3	+10.5

(d) Havens for the Poor and the Affluent

Each city, as has the State and the Nation, has participated in an upward shift in income distribution. There has been a decline in persons earning an income of $4,999 or less per annum, a small increase in persons earning $5,000 to $14,999 per annum, and a marked increase in those having an income of $15,000 or more per annum, residing in each of the Big Five Cities. In comparison with the population of the State and the Nation, however, a larger percentage of low income persons resided in these cities in 1970 than in 1960. A lower percentage of middle income persons resided in the cities in 1970 than in 1960. A much higher percentage of persons with incomes of $15,000 and over reside in the cities in 1970 than in 1960. (Table VI and Table VII).

TABLE VI

Income of Families and Individuals: Year 1960 [1]

Percentage of Total Population

Big Five Cities of New York State

City	Income Below $4,999 %	Income $5,000—14,999 %	Income $15,000 and over %	Median Income
Buffalo	39.1	57.3	3.5	$4,817
Rochester	32.2	64.0	3.8	5,104
Syracuse	33.5	61.1	5.4	4,860
Yonkers	22.2	66.9	10.9	6,676
New York City	35.8	58.1	6.0	5,103
New York State	45.5	49.3	5.3	5,407
United States	52.2	44.2	3.7	4,791

[1] U.S. Bureau of the Census. U.S. Census of Population: 1960 Volume I, Characteristics of the Population. Part 34, New York. (U.S. Government Printing Office, Washington, D.C., 1963).

TABLE VII

Income of Families and Individuals: Year 1970 [1]

Percentage of Total Population

Big Five Cities of New York State

City	Income Below $4,999 %	Income $5,000—14,999 %	Income $15,000 and Over %	Median Income
Buffalo	22.4	63.5	14.1	$8,804
Rochester	18.2	61.3	20.5	10,002
Syracuse	20.1	60.9	18.7	9,246
Yonkers	11.4	54.0	35.0	12,151
New York City	20.8	55.6	23.6	9,919
New York State	16.5	57.0	26.5	10,617
United States	20.0	60.7	19.3	9,433

[1] U.S. Bureau of the Census. Census of Populations Housing: 1970, Census Tracts, Final Report PHC (1)-35 Buffalo, N.Y.SMSA; PHC(1)-176 Rochester, N.Y. SMSA; PHC(1)-209 Syracuse, N.Y. SMSA; PHC(1)-145 New York, N.Y. SMSA, Part I (U.S. Government Printing Office, Washington, D.C., 1972).

(e) Implications for the Cities

In summary, the service dependent populations of each of the Big Five Cities, more than one half of the total city population in 1960, has increased to more than 60% of their respective populations by 1970. The economic fluctuations of the Seventies, evidenced by soaring welfare expenditures and the heavy drain upon unemployment compensation, caused an even larger, although temporary, expansion in their service dependent populations. (Table VIII). As one city official commented with respect to the increased concentration of the very young and the very old in the cities:

> "That's almost....a definition of increase in social instability and in costliness".

As we have seen, the cities are becoming havens for service dependent populations and homes for the affluent, precisely when the cities' fiscal bases must contract. Service dependent populations require a high level of education, social, medical and municipal services. Larger welfare rolls, larger medicaid expenditures and higher subsidization of health care, public housing and transit are the consequence. At the same time, however, the young and very old contribute only marginally to a city's tax base.[2]

With diminished earnings, fixed incomes, or income from public assistance, their purchasing power is greatly limited. With limited consumer spending power, retail and commercial establishments find it difficult to survive with diminished demand for goods and services. The cities must cope with greater fire and crime rates, greater health problems, larger unemployment, more deteriorated housing, etc. With limited contribution to the tax base of the cities, yet increasing demands, hence cost, for public and municipal services, the cities have found that such costs have increased at a rate which exceeds that of the growth of the tax base upon which those services are financed.[3]

The national recession has been particularly acute for persons aged 20 to 24. The cities have learned that often high youth unemployment leads to anti-social behavior, high crime rates, which in turn leads to high police expenditures for the cities and a tremendous growth in fires and false alarms. Too often the victims of anti-social behavior are the aged. The cities, therefore, have sought to provide financial support and programming for the unemployed.

The apparent advantage of declining school populations in the cities of Buffalo, Rochester and Syracuse would have been potential reductions in the need for educational expenditures. As will be illustrated later, although school populations have declined, educational expenditures have more than doubled in those cities, as well as in the cities with increasing school age populations - Yonkers and New York City.

The costs of increased dependency in the 1960's precipitated property tax increases. In 1977, raising the tax rates further or imposing new taxes, such as an income tax, is not a legal or practical option for the cities because such an action would contribute to further outmigration of the taxpaying public and, thus, greater economic decline of the cities.

TABLE VIII

Percent of Total Population; by Age: Years 1960 And 1970

Percent of Total Population Service Dependent

Big Five Cities of New York State

City	Year	Age Groups Below 24 Years %	 25 to 59 Years %	 Over 60 Years %	Percent Service Dependent %
Buffalo	1960	39.5	43.6	16.8	56.3
	1970	43.2	38.4	18.4	61.6
Rochester	1960	38.7	42.0	19.3	58.0
	1970	44.4	37.3	18.3	62.7
Syracuse	1960	41.1	41.8	17.1	58.2
	1970	45.8	36.3	17.8	63.6
Yonkers	1960	38.2	47.8	13.9	52.1
	1970	38.9	43.6	17.5	56.4
New York City	1960	36.3	47.7	15.9	52.2
	1970	39.5	43.0	17.4	56.9
United States	1970	44.0	54.5	10.5	54.5

B. STRENGTH OF THE CITIES ECONOMIES

(I) Unemployment Levels

The recessions have resulted in significant unemployment in the cities.

Buffalo and New York City, among the Big Five Cities, have been most seriously affected, with rates of unemployment persistently averaging above State and National average annual rates each year since 1973. In all these cities, the unemployment rate doubled from 1973 to 1976. In 1977, unemployment rates began to decline. Although declining at a very slow rate from the peak year of 1976, all of the cities have continued to lag behind the national economic recovery. (Table IX).

This stagnation illustrates the continuing erosion of the Northeast's position relative to the national economy.

TABLE IX

AVERAGE ANNUAL RATE OF UNEMPLOYMENT: YEARS 1973—1977

Big Five Cities in New York State

City	1973	1974	1975	1976	1977						
					Jan	Feb	March	April	May	June	July
Buffalo [1]	8.9	10.7	14.7	13.4	12.7	13.7	11.7	10.4	9.8	9.5	10.7
Rochester [1]	4.2	4.8	9.3	9.8	9.7	10.2	9.3	8.7	8.2	8.6	8.4
Syracuse [1]	4.7	5.2	9.3	9.6	9.7	10.0	9.1	8.6	7.8	8.1	7.7
Yonkers [1]	5.8	6.7	8.7	10.0	9.5	9.4	9.0	8.6	8.0	8.0	8.3
New York City [1]	6.0	7.2	10.6	11.2	10.7	10.5	10.1	9.7	9.0	8.9	9.3
New York State [2]	5.4	6.4	9.5	10.3							
United States [2]	4.9	5.6	8.5	7.7	7.4	7.4	7.4	7.0	7.0	7.0	7.0

[1] Bureau of Labor Market Information, Division of Research and Statictics, New York State Department of Labor, Albany, New York , telephone conversation 10/20/77.

[2] Bureau of Statistics, Division of Research and Statistics, New York State Department of Labor, Albany, New York, telephone conversation 10/18/77.

(2) Emerging Industries; Declining Industries

The persistence of high rates of unemployment in these cities, consistently above the national average, is indicative of long run transformations in the economic bases of the cities. With the exception of Rochester, all of the cities have experienced a major weakening in the largest component of their economic bases, the manufacturing sector. Construction has declined in all the cities, significantly in Rochester, Yonkers and New York City. With the exception of Buffalo, all other cities have experienced growth in three employment sectors - finance, insurance and real estate; government; and services. Syracuse and Yonkers have seen growth in addition in two other components of their economic bases - transportation, and wholesale and retail trade. In 1977, government, as a high, growth industry, receded somewhat due to the financial problems of the cities. (Table X). The reduction in manufacturing employment has meant not simply a reduction in employment opportunities for those less skilled, but also the loss to the cities of real property tax revenues from those industrial plants and, increasing incidencies, and persistence, of commercial vacancies in downtown areas of the cities.

For the cities, it has become increasingly difficult to obtain private, and certain public, financing for improvements determined to be necessary to undertake new development or effect expansion of an existing use of land. What remains of existing businesses is threatened by insufficient market support, the unavailability of capital for expansion, higher real property tax rates in the cities than in the surrounding counties, increasing costs of municipal services, and the presence of vacant and outmoded commercial and industrial structures. The attractiveness of the cities, as sites for new commercial and industrial development, has been severly reduced.

Financial assistance for economic development in the cities has come from the Federal Government. As the result of federal action, employment opportunities are expected to increase through the Comprehensive Employment and Training Act and the Public Works Employment Act. Economic development in the cities will be financed through the United States Economic Development Administration and several other federal agencies. Housing and community development in the cities will be implemented through PL. 95-128, the Housing and Community Development Act of 1977.

TABLE X

TRENDS IN EMPLOYMENT BY MAJOR CATEGORY: YEARS 1965 - 1976 - BIG FIVE CITIES IN NEW YORK STATE

Major Category of Employment	Buffalo SMSA			Rochester SMSA			Syracuse SMSA			Yonkers SMSA			New York City			New York State		
	1965	1976	%	1965	1976	%	1965	1976	%	1965	1976	%	1965	1976	%	1965	1976	%
Manufacturing	175.2	142.3	-18.8	119.1	126.9	+6.5	65.1	55.0	-15.5	85.6	77.7	-9.2	866.2	544.2	-37.2	1837.0	1440.1	-22.0
Contract Construction	19.2	17.5	-8.6	12.3	9.0	-26.8	9.9	9.3	-6.1	18.6	14.1	-24.2	109.2	66.5	-39.1	254.9	187.6	-26.4
Transportation, Commerce & Public Utilities	31.6	26.8	-15.2	10.8	10.0	-7.4	12.9	13.6	+5.4	18.7	20.6	+10.2	319.1	263.8	-17.3	478.1	427.2	-10.6
Wholesale and Retail Trade	88.1	107.7	+22.2	45.8	58.9	-28.6	42.0	53.5	+27.4	66.2	87.6	+32.3	747.8	626.8	-16.2	1336.8	1404.2	+5.0
Finance, Insurance and Real Estate	16.7	20.5	-22.8	9.2	13.9	+51.1	9.5	14.4	+51.6	14.0	18.2	+30.0	393.7	416.1	5.7	504.2	575.1	+14.1
Services	58.8	88.6	+50.7	35.9	59.6	+66.0	28.5	45.4	+59.3	59.1	89.4	+51.3	679.3	766.9	+12,9	1117.6	1465.4	+31.1
Government	62.9	86.1	+36.9	26.8	38.4	+43.3	28.9	46.3	+60.2	46.4	69.6	+50.0	461.2	517.0	+12.1	957.1	1264.0	+32.1

1. Manpower Directions in New York State 1965-1975, Job Requirements and Labor Force, Volume II: Areas of the State, NYS Department of Labor, Division of Research and Statistics (March 1968)

2. "Annual Revisions of Nonfarm Employment Estimates, New York State, New York Combined Area, New York City and Upstate Areas, by Industry, 1975-1976", Employment Review.

NOTE: These revised 1976 estimates reflect the adoption of the 1972 Standard Industrial Classification Code (SIC) published by the Federal Government. With the implementation of the 1972 SIC, the composition of some industries was altered, certain industry classifications were eliminated and new industry classifications were created. Because of these shifts, data based on the revised code structure for the 1976 figure are not strictly comparable with data published in Manpower Directions 1965-1975 for the 1965 figure of number employed in each employment category.

NOTE: The Federal Government has also changed the number of counties included in the regions (groups called Standard Metropolitan Statistical Areas (SMSA's). In their tabulation, to achieve comparability in this respect, the same counties composing the SMSA's in 1965 are utilized in the 1976 tabulation: New York City SMSA (New York, Bronx, Kings, Queens and Richmond); Buffalo SMSA (Erie and Niagara); Rochester (Monroe); Syracuse (Onondaga, Madison, Oswego); and Yonkers (Westchester, Rockland).

(3) The Individual Cities Development Plans

A description of the economic, housing and community development plans for the respective cities follows.

(a) Buffalo

The economy of Buffalo is marked by a predominance of manufacturing industries, including steel, metal and automobile parts, electrical equipment and supplies, chemical products, clothing, and various types of commercial and industrial machinery.

Since 1951, the Buffalo area has lost about one-third of its manufacturing base. The construction of the St. Lawrence Seaway in 1958 effectively meant that the Port of Buffalo would be bypassed.[4] The decline of the railroads followed, effectively crippling Buffalo's facilities for the transfer of freight. The industrial exodus from the Northeast to the South and Western regions of the United States has caused the manufacturing base in Buffalo to become less diversified and more dependent upon automobile-related production.

"In a future economy faced with unanswered energy problems, a cyclical or structural retrenchment in automobile production would have a disruptive impact upon the local economy. It is paramount that economic development.... be directed toward arresting the continuing erosion of the manufacturing base. The prospects for an abatement of the decline in manufacturing have certainly not brightened. The recent hike in real property taxes, forecasts of continuing fuel shortages, and the image created by national publicity relating to the weather disaster (Winter 1977) can only contribute negatively to future capital investment in the area."[5]

A period of transition in the economic base of the City of Buffalo is clearly underway. Several potential growth generators are present, although no clear directions are apparent. Both domestic and foreign concerns are expressing tentative interest in abandoned plants. An expanding Canadian economy augurs well for Buffalo as a main receiving point for the importation of Canadian goods. In 1976, a Foreign Trade Zone began operation at the Port of Buffalo. The Zone, coupled with the presence of the second largest rail center in the United

States in Buffalo, promises the city's revitalization as a major transportation center. The Western New York Nuclear Research Center, Inc. has developed a nuclear reactor on the campus of the State University of New York at Buffalo. This has resulted in the location of approximately 150 private, commercial, or institutional research laboratories in the area.[6] The prospective development of natural gas fields in Lake Erie, and the transshipment of coal from the Western United States to the Northeast, lends further credence to hopes for the economic stabilization of Buffalo.[7]

(I) Economic Development

The City of Buffalo is proceeding in several directions. The Niagara Frontier Transportation Authority has received from the Federal Urban Mass Transit Authority a grant commitment to fund construction of a 6.4 lightrail subway system serving downtown Buffalo. Construction of a convention center in downtown Buffalo began in the fall of 1976.[8] With assistance from the Economic Development Administration of the United States Department of Commerce, the City has: (1) developed an economic development organization within city government to coordinate program planning between grant funds received by the City from the United States Department's of Labor, Housing and Urban Development, and Commerce; (2) cooperated with the Erie County Industrial Development Agency to secure federal funding for major commercial improvements; (3) established neighborhood commercial revitalization programs in several neighborhood business areas; (4) established, in cooperation with the local business community and banks, a network of local development corporations, to leverage private capital in support of small industry development and retention; (5) simplified city procedures and ordinances as they relate to business activities, their need for urban services, and public improvements; (6) developed an industrial retention and recruiting unit to dissuade, through a variety of incentives, firms with known intentions-to-relocate from disinvestment in the city; (7) coordinated the development of a city land banking program to identify areas of future use and of high public investment; and (8) established a natural gas reserve and sought to acquire rights to sites in private hands for drilling and subsequent gas use.[9]

(2) Housing Assistance

Buffalo is employing its Housing and Community Development Act Funding to address the needs of its low and middle income citizens and its senior citizens. Several financial assistance programs are available to individual owners and developers, including grants, loans and rent assistance. A training program on property maintenance for homeowners and tenants has been offered by the city. An inventory to assure code compliance of each residential structure in the city is being completed. Vacant industrial plants are being converted for residential use. Tax abatements, to cover the cost of rehabilitation of unused structures, are being offered to owners and developers. Improvements in public facilities, such as tree planting, new street lights, sidewalk replacement, street repaving, are being made in areas where substantial rehabilitation is occurring. Four of the eight state housing projects have been closed due to high vacancy rates, crime, vandalism, and tenant destruction. Several of these buildings are to be redesigned and rehabilitated, their proposed clientele changing from low income families to single persons, and elderly and childless couples.[10]

(b) Rochester

Rochester, alone among the Big Five Cities, has shown an ability to attract manufacturing to the area, the new manufacturers representing a 6.5% increase in employment opportunities from 1965 to 1976. However they have chosen to locate their plants primarily in the suburbs, rather than in the city itself. The city has led the State in recording a better recovery from the 1975 recession. This may be due to the diversity of national and multi-national products produced in Rochester. There has been no mass exodus of industry, as was the experience of Buffalo. Because of the national and international aspects of production, the City's economy is more directly tied to national and world economic cycles than the economic forces shaping New York State or the Northeastern region of the United States.[11] Rochester is an older city located within the industrial Northeast and, as such, evidences some of the many problems which have contributed to the economic decline of the Northeast. These problems include high labor costs, high taxes, outdated industrial facilities, antiquated public facilities, and an older housing stock.

The backbone of the economy of Rochester lies in the instruments, photographic, duplicating, and optical goods industries. Expansion based on continued and intensified scientific research has characterized Rochester's recent history. The older industries of primary metals, electrical machinery, food processing and the apparel industry are continuing to decline in importance.

(a) Economic Development

The City of Rochester's direct involvement in economic development activities began in the early Sixties in response to demographic trends, state initiatives, and federal urban renewal efforts.

> "Working individually with local industries, the City's Department of Community Development has provided businesses additional land for expansion, thus retaining some firms in the City. The City has acquired deteriorated and economically underused property, cleared it, improved it and made it available for new businesses and industry....Various public incentives for business expansion have been used. These incentives include: New York State Job Incentive Board Program Business Investment Exemption; Monroe County Industrial Development Agency; New York State Job Development Authority; Small Business Administration; the New York Business Development Corporation; Off-Street Parking Program; and a Neighborhood Business Grants Program. Technical assistance is provided to businesses, especially in working with other governmental agencies, to, for example, secure the sale of city-owned property to private firms, assure the installation of public utilities and street improvements, demolish

> buildings, and coordinate action with other city agencies, county, and state agencies."[12]

The City's promotion of economic development has broadened in the past ten years from making improved land available to new and expanding businesses to providing direct financial incentives for new and/or expanding business ventures. In the past five years, the public and private sectors have cooperated to attract new industries and to improve the central business district area.

On the negative side, the City has seen possible over-construction of new office space, which has left older buildings with increasing vacancies. Excessive metropolitan housing construction has created excess housing units, which has led to the abandonment of buildings in the oldest and poorest areas of the central city.[13] A number of state and county offices have moved from the City. Demands for the expansion of industry in one story modern plants has resulted in the lack of available land for additional industrial expansion within the City. The Central Business District is beset with major pedestrian, vehicle and public transportation problems. As a consequence, there has been a decline in the patronage of downtown business and entertainment centers.

The City, in cooperation with Monroe County Pure Waters, has begun major rehabilitation of water mains and sewers throughout the City, which will take decades to complete. The City has initiated an industrial land market study to identify future land needs for industrial expansion, the types of industries which may choose to locate in Rochester, and locations within the City which are suitable for industrial parks. Other developmental efforts will be directed at central business district revitalization, expansion of the convention and tourism industry, attraction of investment due to a diverse and highly technical labor force, and the improvement of neighborhood business areas.[14]

(2) Housing Assistance

In contrast with past years, when substantial demolition and new construction occurred, Rochester intends to emphasize the use and rehabilitation of existing housing in older neighborhoods with limited new construction. Unlike Buffalo, Rochester determined to target community development funding into specific geographical areas of the city. A neighborhood reinvestment program has been created. Other activities include: increased code enforcement and a systematic inspection program; a public auction program for properties taken by the city through in rem tax foreclosures; home improvement grant and loan programs; a program whereby the city acquires property, rehabilitates it and sells it at market value; a program for exterior home improvements by non-resident owners; a program which provides funding for the cost of materials used by volunteers of non-profit organizations to make home improvements.[15] Because of increasing housing abandonments and a rapid increase in tax delinquencies, a study was initiated on these conditions. The recommendations of the report are under study by the city. The strategy recommended for action by the consulting firm includes a moratorium on new housing construction, demolition of vacant buildings, development of neighborhood parks on vacant lots, counseling tax delinquent property owners, checking neighborhood decline by monitoring tax delinquencies, implementing neighborhood preservation programs in transitional neighborhoods, and making certain that financial institutions are offering comparable mortgage terms for homes in city, and suburban, locations.[16] Greater emphasis upon town and county acceptance of low-income and elderly housing is an expressed need.

(c) Syracuse

The economy of Syracuse is highly diverse and is marked by growth in the fields of transportation, wholesale and retail trade, finance and insurance, services and government. Its chief manufacturing industries include electrical machinery, steel instruments, pharmaceuticals, industrial chemicals, automobile parts, metals and electricity.[17]

Syracuse attributes its manufacturing loss to foreign competition, declining defense contracts, high labor costs, burdensome state business taxes and regulations, changing market and production needs, and the unavailability of natural gas. The result has been the merger of firms, the disappearance of other businesses in bankruptcy or liquidation, and the relocation of several firms to Southern and Western regions of the United States. In the early Sixties, the private sector led the economic development of the city, promoting growth in the service industry and decentralization of New York City-based insurance and banking institutions. The abundant water supply in the area has recently attracted the resurgence of the brewing industry.[18]

The City has continued to recover from the 1975 recession, but faces the problem of a labor force growing faster than jobs are being created. Over the shortrun, the outlook is good. This is attributed to stimulative measures by the Federal Government, further expansion in the brewing industry, the construction of shopping plazas and power projects, the resurgent machinery industries, and the highly innovative transportation equipment industries.[19]

Over the longrun, however, several constraints are present. The City houses a number of vacant commercial and industrial buildings, which have become obsolete due to disinvestment by industry. Some abandoned plants have potential for renewed use after modification; others have only site use potential, but demolition costs deter reuse. A high vacancy rate in downtown office space continues. The city contains a disproportionately large percentage of the unemployed and, although training programs are available, employment opportunities are minimal. An emerging problem is solid waste disposal. Resident opposition to new landfills and environmental regulations are leading the city and the county toward a resource recovery program. Wholesale and retail trade are declining in the city. Investor confidence in developing certain industrial and commercial parcels in the city is lacking. Small and minority businesses find access to private and public capital limited.

(I) Economic Development

The City of Syracuse and Onondaga County formed an Economic Development Committee in 1976. The Committee has outlined several strategies in order to support existing industry and business, to attract new business and industry, and to support existing commercial areas. With respect to existing business and industry, the Committee proposes the following programs: (1) a survey of area industrialists to identify constraints on expansion and to detect early warning signs of possible relocation intent; (2) selection and marketing of prime sites for industrial development or redevelopment; (3) an assessment of the kinds of new industries which might be attracted. The programs proposed for the attraction of new business are: (I) pilot reuse of a vacant inner city department store; (2) documentation of the capacity of public utilities including energy, water supply, waste treatment systems, and transportation facilities; (3) construction of a tourism and convention center; (4) attraction of foreign investment in area firms; and (5) establishment of local economic development corporations. Commercial establishments would be assisted by: (1) the construction of downtown weather protected pedestrian walks; (2) creation of a downtown landmarks preservation program; and (3) a neighborhood commercial area revitalization program offering technical assistance and venture capital.[20]

(2) Housing Assistance

The City of Syracuse will concentrate its federal funding in certain areas of the city, yet will authorize rehabilitation loans and grants to reduce housing preservation costs to low income and elderly residents throughout the city. Other programs are: a systematic inspection program to assure code compliance; an urban homesteading program to encourage the rehabilitation of vacant houses owned by the city or by private individuals; an historic preservation district and renovation of selected historically or architecturally significant structures located elsewhere in the city; selected demolition; non-profit housing corporation rehabilitation and sale program; a modified homesteading program in which the city accomplishes the major rehabilitation work and the purchaser completes the upgrading of the home with his labor value deducted from the purchase price; a program of home maintenance assistance for small repairs; technical assistance in contracting for home repair; modernization of state-assisted public housing projects; complimentary public works improvements; sewer reconstruction programs; and new construction of housing units for the elderly, who can no longer afford to maintain their homes and must move into city units because the adjoining towns and county do not have available public housing.[21]

(d) Yonkers

The City of Yonkers has developed a diverse economic base, its strongest components being services, wholesale and retail trade, and manufacturing. The City contains a large number of manufacturing firms engaged in such activities as the production of machinery, textiles and apparel, food and related products, rubber and plastics, chemical products and electrical supplies, leather goods, and printing and publishing.[22] The City has suffered a manufacturing loss, such industries declining 9.2%, from 1965 to 1976.

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The City is developing as a commercial center not entirely dependent upon, but closely related to and affected by conditions in, New York City. Its favorable industrial mix and diversity effectively insulated the city against massive layoffs during the 1975 recession. Continued gradual deterioration has pushed unemployment rates appreciably higher. Such deterioration has resulted from: (l) the low proportion of defense-related or heavy industry; (2) relatively small number of production facilities; (3) some plant closings due to plant obsolescense, high operating costs, and the national economic slowdown; (4) the high cost of living and lack of employment opportunities; and (5) sharp increases in the cost of electricity and natural gas provided by Consolidated Edison.[23]

(l) Economic Development

The economic development plans for the City of Yonkers include the revitalization of the central business district which, for many years, has experienced physical deterioration, loss of retail operations, obsolescense, vacancies, and a limited merchandising policy. The city has initiated the following activities: (l) linkage of the Hudson Riverfront to the Central Business district; (2) construction of arterials to provide superior transportation connections for proposed industrial areas; (3) a program for upgrading of shops, building, and merchandising by shopkeepers assisted by the City; (4) the construction of off-street parking structures; (5) the attraction of several large retail generator stores located in key areas; and (6) the construction of an enclosed shopping mall. Plans are underway to provide development sites for new industries and businesses and expansion opportunities for existing firms. Some of the riverfront industrial operations will be relocated to new or redeveloped industrial and commercial areas with improved transportation connections. Two major industrial parks are to be constructed, as well as a solid waste disposal facility, a county office building, a new city library, three new shopping areas, and two new hospitals. To improve retail "sub-centers", the city proposes to assist in improving merchandising techniques, storefront sign design, rehabilitation, and improved parking. Acting as a catalyst between the business community, various governmental agencies, and the private sector, the City proposes to assist retailers in securing affordable financing for these projects. Because of age, the reconstruction of sewer and other public utilities will be undertaken in order to compliment other actions to restore the central business district, to provide necessary utilities for new residential and commercial development, and to remedy inadequate facilities in older areas of the city. The development of commuter parking facilities at railroad stations and at mass transit terminals will be undertaken to encourage greater use of mass transit and reduced reliance on private car travel. A Mayor's Economic and Business Advisory Council, composed of leading businessmen and individuals in the city, has been appointed to develop an economic strategy to expand the local economy.[24]

(2) Housing Assistance

The City's efforts to replace blighted and deteriorated housing for low and moderate income groups has been supplemented by concentrated code compliance programs. Code enforcement endeavors have contained an increase in substandard housing conditions and will be relied upon to further reduce the remaining inventory of substandard units. A neighborhood preservation program, begun on a limited scale to deal with the causes of decline in large scale rental units, will be expanded to include all residential areas. The emphasis will be prevention, rehabilitation and code compliance. This program is intended to bring together the efforts of city, business, community, financial institutions, tenant groups and property owners in a cooperative partnership. New affordable housing for the relocation of low and moderate income elderly affected by the continued clearance of abandoned and seriously blighted buildings will be provided.[25] The public park system will be expanded in areas along the Hudson River and in the central city.

(e) New York City

New York City is one of the world's great cities. It is the largest city in the United States and the nation's financial and cultural center. The city has historically held a preeminent position in finance, advertising, broadcasting, apparel manufacturing, printing, publishing, and insurance. The Port of New York is a leading seaport and focal point of all other transportation services on the East Coast. The city is the site of the United Nations and of the major securities exchanges in the country. These factors have contributed to making the city the nation's leading center of national and international business, finance and commerce.[26]

Due to erosion in its economic base, the City has become increasingly vulnerable to national economic fluctuations, while lagging behind in times of national expansion. From 1965 to 1976, New York City suffered from major reductions in its employment base. Manufacturing employment declined 37.2%; construction declined 39.1%; transportation, commerce and public utilities declined 17.3%; and wholesale and retail trade declined 16.2%. Very modest growth, in comparison with the other Big Five Cities in New York State and the Nation, occurred in the fields of finance, insurance and real estate (+5.7%); services (+12.9%); and government (+12.1%). (Table X).

The economic decline of the city has had a significant adverse effect on city finances. The decline in wholesale and retail trade means an adverse effect on sales tax revenues. Slowed business activity means reduced personal and business income tax revenues. The financial effects of the recession of 1975 were compounded because the city, in comparison with the other Big Five Cities in New York State, relies more heavily on sensitive sales and income taxes rather than on the more stable property tax for its revenues. Secondly, another product of the recession, high unemployment, contributed to the fiscal problems of the city by appreciably holding down revenues from sales and income taxes and by forcing significant increases in the City's expenditures for public assistance.[27]

Reasons given for the serious deterioration in the economic base of the city are numerous. Some affect particular industries. The most cited reasons are the heavy burden of state and local taxes on businesses and individuals; high labor, energy, electricity, and rent costs; increases in the state stock transfer tax and enactment of a bond transfer tax; high tonnage assessments resulting in seaport commerce diversion to the lower cost ports of Baltimore and Philadelphia; consolidation of firms; greater use of automated equipment; the removal of large federal military facilities; the drying up of construction because of overbuilding and the high cost of financing; increased foreign competition; obsolete manufacturing facilities; and a decline in exports. The exodus of corporate headquarters, which has accelerated since 1969, is striking. Once the city was the home of 140 of the 500 largest industrial companies in the United States: currently 84 remain.[28]

(1) Economic Development

To combat the erosion of the city's economic and tax base, in November 1976, the city announced a five year Economic Recovery Program. With the assistance of the New York State Legislature, key features of this program have been implemented. Tax reductions include: (1) a cap on real property tax rates at the 1978 rate, or $8.75 per $100 of assessed value, to continue for a five year period; (2) a credit against business taxes for manufacturers for the sales tax paid on purchase of machinery and equipment; (3) a ten percent reduction in the commercial rent tax to increase to twenty percent by 1981; (4) a reduction in the general corporation tax on profits from 10.05 percent to 9.0 percent in 1979; (5) a phase-out of the stock transfer tax over four years beginning in 1979.

The City has developed and is implementing new tax incentives to spur industrial growth and expansion. The Commercial and Industrial Incentive Board is authorized to grant sliding scale exemptions from the real property tax for newly built and reconstructed commercial and industrial buildings. Under the Business Incentive Program, longer term tax abatements are available to developers to allow financing and construction of major unique commercial projects which require substantial private investments. In addition, as incentives to attract new businesses, the City offers tax credits: (1) for new commercial and industrial tenants coming from out the the State with 100 or more jobs to offset potential future increases in the real estate tax rate and (2) for companies locating in the city from out of state with ten or more jobs to provide, in effect, partial one-time-only reimbursement for moving costs.

An Office of Economic Development has been established to: (1) package and negotiate major commercial and industrial developments for the city; (2) organize with the private sector a comprehensive marketing program to attract new businesses to the City and to retain and expand existing firms; (3) develop research data on the City's economic strengths and weaknesses for specific industries; (4) provide business and financial services to companies;

and (5) serve as ombudsman for businesses in their dealings with city government.

Other recovery strategies include stabilizing elective power costs to business, acceptance of "time-of-day pricing" by the Public Service Commission, use of power delivered by the Power Authority of the State of New York, development and use of solid waste as a fuel, and the discovery of other alternative fuel sources. To find economic uses for city-owned land, a proposed land use program will be implemented. Elements of this program are: (1) to develop a realistic pricing policy on city land; (2) to dispose of city land at auction or bank it for future use; (3) to dispose of land acquired under federal categorical grant programs; (4) to design and develop in-place industrial parks in manufacturing areas of the City; and (5) to facilitate on-site industrial expansion. Commercial center revitalization will be accomplished through the provision of low cost land for new development, tax relief for major projects during start-up periods, adequate parking, landscaped malls and sitting areas. Neighborhood commercial strips will be enhanced through such programs as storefront renovations, special beautification, pedestrian malls, street improvements, and improved security.[29] Technical assistance and matching grant programs are available to merchants associations for local business improvements. Selective replacement of deteriorating public works will be accomplished, including the replacement of sewers, water mains, and necessary utility line relocations. The city will authorize the acquisition of sites for development by the city or by a private developer only pursuant to city urban renewal plans and only if the prospective developer can provide evidence of necessary financing commitments from government or private sources to ensure prompt development of a site.

(2) Housing Assistance

New York City's approach to its shrinking and aging housing conditions is a multi-faceted one. The Model Cities Programs, offering a broad spectrum of governmental services including fire prevention, drug abuse, bookmobiles, work release, dental facilities, day care assistance, etc., is continuing its operation under the direction of three housing development corporations. These corporations operate several programs, including the initiation of new construction, rehabilitation and building management, in the South Bronx, Central Brooklyn and Harlem/East Harlem.

Other programs include an historic preservation program for exterior improvements to individual homes; establishing block associations in transitional neighborhoods to combat rapid change and to promote neighborhood stability; purchasing or acquiring, by tax foreclosure, occupied, vacant or abandoned structures, rehabilitating them, and selling them to private individuals; providing emergency repair services for tenants, including repairs to heating systems, electricity, and water systems; demolishing or sealing-up unsafe buildings; initiating litigation against owners of substandard dwellings to secure correction of violations; providing subsidies to tenants who cannot afford post-rehabilitation rents through its housing rehabilitation and maintenance program; and modernizing public housing projects. The city has developed a housing rehabilitation finance program which will pool some of its Community Development funding with private funds to secure loans to finance the renovation of multiple dwellings. Other loans are available to private individuals if private financing at reasonable rates is not available and the owner wishes to repair the housing before major work becomes necessary. Other programs deal with buildings the city owns or manages. They include central receivership, community management and direct sales activities. Recently initiated is an interim site improvement program to restore vacant land to productive use for garden or recreation areas to be maintained by the neighborhood.[30]

C. CONCLUSION: THE IMPORTANCE OF URBAN RECOVERY

The economies of our once prosperous and now older urban areas are undergoing transitions. Once, to paraphrase John Kenneth Galbraith, our cities were both the instrument and the result of industrial development. Both the changing composition of the city's populations, the industrial/-employment decline, and the initiation of industrial and residential development plans by the cities testifies to the growing competition among cities as sites for new industrial location.

Should cities be saved at any cost? Is more money the answer? May it not be more a question of improving the capacity of cities to deliver services? Should the redistributional services, such as education and welfare, be removed from the cities? Should the private economy, with governmental endorsement, be allowed to continue to decide the future of the central cities? Should city economic development policies, in the face of continuing population decline, be encouraged? Will the excessive and costly investment in physical facilities by the cities, entailed in city economic development plans, create financial pressure to consolidate with adjoining governments? Given the interdependency that exists in the national economy, can the Nation achieve balanced and sustained economic growth if some of its most heavily populated areas with prodigious fixed investments continue in economic decline? Can the human costs of structural economic changes, evidenced by the growth of the service dependent populations in the cities, be mitigated in some manner without recreating city financial emergencies?

When the costs to the Nation of urban economic decline are calculated, the importance of urban recovery should receive heightened National and State attention and action. Some of these costs are the loss of goods and services, the decline in real purchasing power required to raise family standards and meet the costs of inflation, the tax revenues lost, the cost of welfare, social security and unemployment assistance, the cost of underutilizing human talents -- whether the youth or the elderly.

CHAPTER III

FINANCIAL REALITIES OF THE BIG FIVE CITIES

The consequences of general economic decline, and the impact of inflation, two recessions, quadrupled oil prices, and federal fiscal and monetary policies supporting high unemployment levels, severely tested the fiscal capacities of the Big Five Cities. Three of the Big Five Cities - Buffalo, Yonkers, and New York City - found themselves under severe financial pressure. The transition from the attitude of more prosperous times during the Sixties, to a decade of restraint and austerity, has been difficult.

The factors contributing to municipal financial emergencies are not a question of municipal extravagance, but more the result of internal municipal government growth and development. It is well known that the purchasing power of the dollar is sharply reduced in metropolitan areas resulting in higher costs. This made the cities vulnerable to unexpectedly higher expenditures in an era of double-digit inflation. Policies of municipal generosity in providing higher qualities of municipal services, acceptance of new and additional municipal responsibilities from the federal and state government in the form of mandates and incentive monies, intensified city employee expectations fueled by inflation and unionism, and the emergence of municipal government as an employer of last resort also played a role in contributing to higher expenditures. In their fiscal expression, the cities allowed expenditure - revenue imbalances, permitted fixed debt service charges to become an increasing proportion of expenditures, in varying degrees were reluctant to reduce controllable expenditures, and used short term debt to finance large operating deficits.

The fiscal challenge of the Seventies benefited these cities. New productivity measures were devised. Greater management flexibility was learned from the need to adjust city and departmental organization, programs and procedures, to rapidly changing conditions. Expenditure reductions were

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necessitated. The search for alternative revenue sources to the depleted real property tax base intensified. More accurate financial information for careful budget preparation and monitoring of operations throughout the fiscal year were developed. The need to continue or reacquire investor confidence in municipal obligations meant adoption of fiscal practices which sought to retire accumulated deficits and to strictly balance cash income against cash outflow.

The measures adopted by the cities resulted in reduction, and elimination, of services. Middle management city personnel found attractive offers elsewhere. Seniority resulted in the termination of promising younger civil servants. Service reductions and eliminations, salary freezes, and lack of employment security seriously undermined the morale of remaining city employees. The necessity for emergency financial subsidies from the State and Federal government and, in the case of Yonkers and New York City, the direct intervention of the State in city fiscal affairs, led to a marked decline in local autonomy and local fiscal independence.

All of these measures are reminiscent of actions taken by cities during the Depression of the 1930's.[1]

The Big Five Cities face an uncertain future. Future national economic projections promise heightened inflation as the result of new taxes, import curbs, and wage rises.[2] As the Advisory Commission on Intergovernmental Relations in its report entitled City Financial Emergencies; The Intergovernmental Dimension stated:

> "Cities are particularly vulnerable to inflation..... The basic reason that prices rise more rapidly for state and local governments is that public services are labor intensive. Labor related costs, including both salary costs and provisions for finge benefits, constitute 70 to 80 percent of most city budgets."[3]

In contrast, as a study prepared by the Stanford Research Institute for the United States Senate found:

> "The crucial cost element in the operation of most business firms is the cost of labor which, on the average, accounts for 65 percent of gross operating costs."[4]

Of immediate fiscal impact in 1978 are three new federal mandates enacted during 1977 or becoming effective in 1978: higher minimum wage costs, higher social security taxes, and higher unemployment insurance taxes.

This chapter will describe changes in city spending and revenue patterns.

A. TRANSFORMATION IN SPENDING PATTERNS.

The standard method of analyzing government expenditures is by public function of responsibility, in order to illustrate where a city's financial resources are allocated. Changing expenditure patterns suggest changing public service priorities.

A city budget is not an accurate source of actual expenditures. City budgets, however, are the most current information available on city finances. They are indicative of intention-to-spend and, thus, are more illustrative of changing priorities among the various public services. In the following review of city budgets, intended as a comparative analysis of the costs of current urban services, appropriations for capital construction, debt service, and retirement have been excluded from the appropriation amounts attributed to each of the various public responsibilities. Where possible, reasons for cost increases and cost divergences will be given.

Because the City of New York provides an extremely broad range of public services, where necessary, it will be considered separately from the four upstate cities. Unlike the upstate cities, New York City is composed of five counties and is the only unit of local government within its territorial jurisdiction with authority to levy and collect taxes. Because of this, the City provides many services which, elsewhere, would be the responsibility of counties.

(1) SPENDING INCREASE

There has been a dramatic increase in total spending for various municipal responsibilities and for elementary and secondary education between 1967 and 1977 in the Big Five Cities. Proposed total expenditures doubled in Rochester and Syracuse, tripled in Yonkers, and quadrupled in New York City. Buffalo, alone among the Big Five Cities, held expenditures at a 72% increase over this ten year period, or at a level consistent with increases in the Consumer Price Index.

TABLE XI

Percentage Growth in Municipal, School, and Total City Appropriations

1967 to 1977

City	Municipal Operations %	Education Operations %	Total City Appropriations %
Buffalo	68	76	72
Rochester	148	91	114
Syracuse	112	110	111
Yonkers	140	162	153
New York City	227	158	203

The growth of the individual city's operating expenditures for the 1967-1977 decade in current dollars is set forth on Table XII and Table XIII. The City of Buffalo's appropriations for all city operating purposes increased from $36.2 million to $60.7 million in 1977; educational expenditures increased from $43.5 to $76.8 million. Rochester's appropriations for all city operating purposes increased from $28.0 million in 1967 to $69.6 million in 1977. Similarly, its educational expenditures grew from $40.8 to $77.9 million in 1977. Syracuse's appropriations for all city operating purposes increased from $14.5 to $30.7 million in 1977, while educational expenditures rose from $22.1 to $46.5 million. Yonkers experienced an increase in city operating appropriations from $14.3 to $34.3 million, as educational appropriations increased from $20.1 million in 1967 to $52.6 million in 1977. (Table XII). The City of New York watched city operating appropriations increase from $2.2 billion in 1967 to $7.2 billion in 1977. Its educational expenditures, including higher education, grew from $1.2 billion in 1967 to $3.2 billion in 1977. (Table XIII).

In dollar terms, all city operating departments are receiving more dollars in 1977 than they were allocated in 1967. The only exceptions to this generality are the Divisions of Parks and of Recreation in Buffalo, the community development agencies in Syracuse, and the Department of Marine and Aviation Services in New York City.

TABLE XII

Appropriations by Municipal Responsibility: Fiscal Years 1967 and 1977

Buffalo, Rochester, Syracuse, Yonkers

$ (Thousands)

Municipal Responsibility [1]	Buffalo		Rochester		Syracuse		Yonkers	
	1967 $	1977 $	1967 $	1977 $	1967 $	1977 $	1967 $	1977 $
Development	.6	1.8	.8	6.0	.5	.4	.3	.5
Elementary and Secondary Education	43.5	76.8	40.8	77.9	22.1	46.5	20.1	52.6
Fire	8.8	15.3	5.6	12.5	3.7	8.8	3.3	7.9
Human and Cultural Resources	.7	1.8	1.7	3.6	—	—	1.2	2.1
Parks and Recreation	3.2	2.9	1.8	5.8	1.7	2.5	1.2	1.7
Police	11.0	20.5	5.7	13.7	3.5	8.9	4.8	10.1
Public Works	12.0	17.1	12.3	27.9	3.4	6.0	3.8	12.0
Transportation, including Aviation	.0	1.2	—	—	1.6	4.1	—	—
Total Municipal Responsibilities Without Education	36.2	60.7	28.0	69.6	14.5	30.7	14.3	34.3
Education	43.5	76.8	40.8	77.9	22.1	46.5	20.1	52.6
Other City Agencies, Debt Service and Capital Outlay	27.9	119.6	23.8	81.0	13.9	26.4	22.8	50.0
Total	107.6	257.1	92.6	228.5	50.5	103.6	57.2	136.9

[1] Officially Adopted Budgets of the respective Cities for Fiscal Years 1967-77, Bureau of Municipal Research and Statistics, New York State Department of Audit and Control, Albany, New York.

TABLE XIII

Appropriations by Municipal Responsibility: Fiscal Years 1967 and 1977

New York City

$ (Thousands)

Municipal Responsibility [1]	1967 $	1977 $
Aviation	13.9	12.5
Corrections	37.3	158.5
Development	34.7	296.8
Fire	183.6	405.9
Health and Hospitals	427.5	1,020.5
Library	29.0	66.2
Markets	2.9	5.3
Museums	8.1	27.8
Parks and Recreation	52.5	133.1
Police	385.2	955.8
Public Works	40.4	551.8
Sanitations	130.6	198.3
Transportation	39.5	208.0
Water Supply	66.6	114.9
Welfare	653.8	2,973.7
Poverty Program	101.4	92.7
Elementary and Secondary Education	1,150.9	2,766.5
Higher Education	110.7	492.9
Total Municipal Responsibilities Without Education	2,206.8	7,221.8
Education	1,234.1	3,189.8
Other City Agencies, Debt Services, Capital Outlay	1,147.3	2,066.2
Total	4,588.2	12,477.8

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[1] Officially Adopted Budget of New York City for Fiscal Years 1966-67 and 1976-77, Bureau of Municipal Research and Statistics, New York State Department of Audit and Control, Albany, New York.

(2) Inter-City Comparison of Appropriations by Functions

The traditional method of comparing individual city financial data is to convert the various total dollar sums allocated to the several municipal functions to a per capita basis to measure, compare and evaluate disparities in the provision of urban services. Thus, the dollar amount, attributed as the cost of each public function or responsibility, was divided by the total city population, as reported by the cities from the United States Census of Population for 1967 and as estimated by the United States Department of the Treasury for the purpose of revenue sharing entitlements for 1977.

It should be recognized that appropriations in Official Budgets of each City, as approved by their respective Councils, are subject to amendment in supplemental appropriation measures. The resolution of litigation against a city may result in a monetary award by court direction. Unforeseen events, such as the severe winter of 1977 in Buffalo, may necessitate new immediate costs. The Board of Education may discover a need for new resources, unanticipated at the time the original budget was under preparation. The appropriation levels, here reported, were subject to change because each of the cities were variously engaged in contract negotiations with one or more groups of its employees. Any of the above circumstances, as well as a contract award mandated by a State arbitration panel, may have jeopardized each city's efforts to maintain its established and adopted balanced budget.

(a) Upstate Cities

The municipal responsibilities, or those budget items of largest proposed expenditure, common to all four upstate cities are as follows: community development; elementary and secondary education; fire and police protection; human or cultural resources; parks and recreation; public works; and transportation.

There is a tremendous variation among the upstate cities in per capita appropriations for each municipal responsibility and, similarly, a large divergence among the cities with respect to the total per capita costs of urban services.

Various reasons have been offered for diversity in municipal costs. Some city departments may be more successful than others in adopting measures to increase the producitivity of city employees. The divergence in costs may reflect different costs of living in the individual cities and the relative income levels earned by their respective resident populations. For example, the cities of Rochester and Yonkers have the highest median income levels and their per capita municipal service expenditures were higher than those in the cities of Buffalo and Syracuse. Cost divergence among the cities may be explained by differing city attitudes toward fiscal conservatism and toward the quality of services desired by their different citizenries. Other reasons for spending diversity among the cities are: (1) services provided by a jurisdiction must meet minimum standards or quantity and quality, as determined by the State and Federal governments; (2) the physical condition and geographical location of the city; (3) the city's desire to attract non-residential land users; (4) the resource bases available from its own tax bases and from other sources; and (5) financial factors, such as interest rates and intergovernmental aid.[5] It is interesting to note in passing that, in the cities of Buffalo and Syracuse, which have adopted a strong mayor-council form of government, per capita expenditures for municipal services are the lowest, while, in those cities with a council-manager form of government, per capita expenditures for urban services are the highest.

In 1977, total per capita costs for the provision of current city and educational operating services, retirements costs, debt service and capital construction ranged from $855.11 in Rochester to $567.69 in Syracuse. Buffalo's per capita spending amounted to $631.57, while Yonker's costs reached $711.50 per person.

Excluding retirement costs, debt service and capital construction costs, elementary and secondary education commanded the highest percentage of current operating costs in 1967 and in 1977. Such expenditures ranged from $291.71 in Rochester in 1977 to a low of $188.69 in Buffalo in 1977. In Syracuse, educational costs amounted to $254.71 per person. In Yonkers, such costs reached $273.05 per person.

Other responsibilities requiring high municipal expenditures are police and fire departments, or public safety departments, in the cities. In 1977, the City of Syracuse budgeted $48.36 per person for fire protection for its Department of Fire. In declining order, the City of Rochester proposed to spend $46.92; the City of Yonkers, $41.18; and the City of Buffalo, $37.54 per person for the Fire Department. With respect to costs for law enforcement activities, the range of budgeted appropriations is closer to a common norm among all upstate cities than in any other governmental function. The cost estimates for police department operations range from a high of $52.39 in the City of Yonkers in 1977 to a low of $48.59 in the City of Syracuse. Rochester anticipated expending $51.42 per capita, while Buffalo estimated $50.46 per capita for police protection.

The final high expenditure item for the four upstate cities is the department of public works, or the functions of street sanitation, construction, maintenance, lighting, engineering, sanitation and snow removal. Anticipated costs here vary widely among the cities. They range from a high of $104.56 in Rochester in 1977 to a low of $32.89 in the City of Syracuse in 1977. Buffalo anticipated expending $41.93 per capita in 1977, while Yonkers budgeted $62.15 per person for this purpose.

For the remaining functions of the upstate cities - community development, human or cultural resources, parks and recreation, and transportation, see Table XIV.

TABLE XIV

PER CAPITA APPROPRIATIONS BY MUNICIPAL RESPONSIBILITY: Fiscal Years 1967 and 1977

Buffalo, Rochester, Syracuse, Yonkers

Municipal Responsibility [1]	Buffalo		Rochester		Syracuse		Yonkers	
	1967 $	1977 $	1967 $	1977 $	1967 $	1977 $	1967 $	1977 $
Development	1.21	4.53	2.60	22.45	2.47	2.13	1.37	2.76
Elementary and Secondary Education	81.65	188.69	128.20	291.71	102.13	254.71	105.25	273.05
Fire	16.56	37.54	17.60	46.92	17.35	48.36	17.08	41.18
Human and Cultural Resources	1.20	4.58	5.31	13.29	3.49	—	6.04	10.94
Parks and Recreation	5.93	7.03	5.80	21.89	7.71	13.44	6.09	8.76
Police	20.65	50.46	17.84	51.42	16.27	48.59	24.95	52.39
Public Works	22.46	41.93	38.61	104.56	15.61	32.89	19.72	62.15
Transportation Including Aviation	.00	2.88	—	—	7.58	22.62	—	—
Sub Total All Responsibilities	149.66	337.65	215.97	552.24	172.61	422.75	180.50	451.24
Sub Total All Excluding Education	68.01	148.96	87.77	260.53	70.48	168.04	75.25	178.19
Sub Total Other Minor City Agencies, Debt Service and Capital Outlay	52.30	293.92	74.79	302.87	61.11	144.94	119.61	260.26
Total	201.96	631.57	290.76	855.11	233.72	567.69	300.11	711.50

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[1] Officially Adopted Budgets of the respective Cities for Fiscal Years 1966-67 and 1976-77, Bureau of Municipal Research and Statistics, New York State Department of Audit and Control, Albany, New York

(b) New York City

The municipal responsibilities, or those budget items of largest proposed expenditure, assumed by New York City, are: aviation; corrections; community development; health and hospitals; libraries; markets; museums; parks and recreation; police and fire; public works; sanitation; transportation; water supply; welfare; poverty program; elementary and secondary education; and higher education.

Two major constraints on the financial material presented here should be noted. The City's government undertook a major reorganization program which included the consolidation of numerous agencies during the Lindsay Administration. Every effort has been made to secure conformity in the programs attributed to the different responsibilities for the years 1967 and 1977. Second, the practice of the City to supplement operating funds with capital funds, which, by State mandate, will be progressively eliminated by 1986, could not be traced with accuracy in the time available. The financial information, provided with respect to the City, will not reflect actual expenditures, but will report appropriated costs for current operating departments, as was the practice with the upstate Big Five Cities.

In 1977, total per capita costs for the provision of current city and educational operating services, retirement costs, debt service, and capital construction were $1,667.79 per person in New York City. This represents an increase of $1,078.20 per capita since 1967. In 1967, such total combined costs were $589.59 per person, (Table XV). In October 1976, report by the New York City Temporary Commission on City Finances, entitled An Historical and Comparative Analysis of Expenditures in the City of New York, stated that:

> "per capita expenditures of the City of New York were high compared to other city governments in the United States."[6]

The report attributed high New York City expenditures to the broad scope of services provided by the City. Only Washington, D.C., among the ten largest cities in the United States, exceeded New York City in per capita expenditures.

TABLE XV

PER CAPITA APPROPRIATIONS BY MUNICIPAL RESPONSIBILITY: Fiscal Years 1967 and 1977

New York City

Municipal Responsibility [1]	1967	1977
	$	$
Aviation	1.78	1.67
Correction	4.79	21.18
Development	4.46	39.66
Fire	23.60	54.25
Health and Hospitals	54.94	136.39
Library	3.73	8.85
Markets	.36	.71
Museums	1.04	3.72
Parks and Recreation	6.75	17.79
Police	49.49	127.75
Public Works	5.19	73.76
Sanitation	16.78	26.51
Transportation	5.08	27.80
Water Supply	8.55	15.36
Welfare	84.01	397.47
Poverty Program	13.03	12.39
Elementary and Secondary Education	147.89	369.77
Higher Education	14.22	65.87
Sub Total All Responsibilities	445.69	1,400.92
Sub Total All Excluding Education	283.58	965.27
Sub Total Other minor City Agencies Debt Service and Capital Outlay	143.69	266.87
Total	589.59	1,667.79

[1] Officially Adopted Budget of the City of New York for Fiscal Years 1966-67 and 1976-77, Bureau of Municipal Research and Statistics, New York State Department of Audit and Control, Albany, New York.

(3) Changes in Spending Priorities

As illustrated earlier, the cities devote major proportions of their revenues to particular municipal services. To ascertain the proportion basic municipal services command in total city budgets and to ascertain whether, over the past decade, there has been a change in investment decisions among the various city responsibilities in the different cities, the percentage of the total budget, which each function shared among all other functions, was calculated for fiscal years 1967 and 1977.

It is important to remember, in reviewing this data, that a department may experience reductions in expenditures, but still provide increased services due to productivity gains. Similarly, expenditure authorizations may be increased for an agency, but, because of productivity gains, such expenditure increases may be minimal. Conversely, productivity may decline, even though a city's decision to invest greater amounts of public monies may have been intended to enhance the quality of the service provided by that department to the public.

(a) Upstate Cities

As may be seen on Table XVI, elementary and secondary education commanded, by far, the largest share of total city appropriations, ranging from 52% to 60% of the total budgets in 1977. In Buffalo, 55.9% of all revenues raised in fiscal year 1977 were appropriated for educational purposes. Rochester set aside 52.8% of its funding for elementary and secondary education. Syracuse expended 60.3% of its revenues on education. Yonkers increased its share for educational purposes to 60.5%. Education commanded approximately the same share of each city's total budget a decade earlier in 1967.

Reasons gleaned for such high educational costs revolve primarily around the unattractiveness of teaching in inner city schools. Teachers are asked to teach relatively large classes composed of a high proportion of economically and educationally disadvantaged children. Teachers are also asked to work in older school buildings. Stories of violence and vandalism in these schools are well known. City school districts have greater teacher recruiting problems than suburban school districts. City districts have learned to offer higher salaries as inducements to teach in inner city schools. The consequence to the cities and its schools is that the city dollar purchases fewer educational resources.

The remaining high expenditure municipal service areas, commanding in combination a very high proportion of remaining upstate city revenues, are the police, public works, and fire departments. In Buffalo, in 1977, these priority services received altogether 38.4% of the total city budget: fire department, 11.1%; police department, 14.9%; and public works, 12.4%. In Rochester, these services required a combined total of 36.7% of total city appropriations: fire department, 8.5%; police department, 9.3%; and public works, 18.9%. Syracuse determined to commit 30.7% of its total appropriations for these three services: fire department 11.4%; police department, 11.5%; and public works, 7.8%. Yonkers invested a total of 34.5% of its total revenues for fiscal year 1977 in these primary services: fire department, 9.1%; police department, 11.6%; and public works, 13.8%. The need for higher city outlays in these service departments may be traced to many reasons.

The chief characteristics of a metropolitan area, i.e. population density, poverty and unemployment, and older housing, result in much higher crime rates, serious structural fires, higher juvenile crime, and sharp increases in false alarms, and first aid requests, than will be found in suburban areas. To illustrate this point, the Big Five Cities spent many times more than their surrounding counties or other jurisdictions in the rest of the state for police and fire protection. For example, in actual per capita expenditure terms, as reported to the Bureau of Municipal Research and Statistics of the New York State Department of Audit and Control, in 1975, New York city spent $145.87 per capita for public safety purposes, while Buffalo expended $102.70; Rochester, $96.02; Syracuse, $96.14; and Yonkers, $99.35 for public safety purposes. By contrast, the villages and counties in the state spent only $37.58 and $26.12 respectively for public safety purposes. Higher police costs in the Big Five Cities are associated with additional public needs. Poor people often summon policemen to settle family or neighborhood disputes or to carry people to the hospital, while more affluent persons rarely do so. Older buildings in deteriorating city neighborhoods may produce calls to the police about housing and sanitary violations, breaking pipes in heatless buildings, infestations of rats, drug addicts, etc. Commuters create extraordinary traffic problems, increased automobile accident rates, the need for police resolution of disputes, emergency medical services and investigation of crimes. Higher fire costs are attributed mainly to density of buildings and population. The dangers of massive conflagrations in big cities necessitates the highest quality of fire equipment, the best training for firefighters, and rapid response time.

Higher public works costs result directly from higher maintenance and repair costs due to breakage in aged water and sewer systems and poor drainage systems designed for much smaller populations than reside today in the cities. A disposable society adds to sanitation costs and heavily travelled streets cause greater wear and more rapid deterioration of city streets.

With such large requirements in education, public protection, and public works, in 1977, the upstate cities had the following appropriation amounts remaining to expend in other areas of city responsibility - community development, human and cultural resources, parks and recreation, and transportation: Buffalo, 5.7%; Rochester, 10.5%; Syracuse, 9.0%; and Yonkers, 5.0%. Without federal assistance in community development, the cities would be in a more serious condition. Since 1967, only Rochester has been able to commit an increased percentage of its total appropriations to these functions, such responsibilities receiving 4.3% more of total appropriations in 1977 than they received in 1967. Buffalo has essentially reserved the same percentage of funding for these functions in 1977 as it did in 1967. Both the City of Syracuse and of Yonkers found it necessary to decrease the proportion of their expenditures in these areas from 1967 to 1977, Syracuse trimming 1.5% of its expenditures for these purposes and Yonkers reducing its appropriations for these services 2.5% by 1977.

Among the four major high expenditure municipal responsibilities, the share of total appropriations allocated for each of these municipal services within the individual cities budgets has changed from 1967 to 1977.

In Buffalo, education costs increased as a share of total expenditures from 54.6% to 55.9% by 1977. Fire department costs remained relatively steady, receiving 11.1% of total appropriations in 1967 and in 1977. Police department costs rose from 13.8% to 14.9% of the total budget in 1977. The emphasis on public works declined from its 15.0% share of total expenditures in 1967 to receive 12.4% in 1977.

Rochester has similarly reordered its priorities, decreasing the share of total expenditures for education from 59.4% in 1967 to 52.8% in 1977. Costs of the public protection departments and the public works departments necessitated an increased share of total appropriations in 1977, over the share received in 1967: fire, from 8.2% to 8.5%; police, from 8.3%to 9.3%; and public works, from 17.9% to 18.9%.

Syracuse found it necessary to increase the proportion of its investment in public safety services. The fire department received increased allocations, up from 10.3% in 1967 to 11.4% in 1977. The police department required an increased share, budgeted costs increasing from 9.6% in 1967 to 11.5% in 1977. Both education and public works received decreased budgetary attention, education cost demands declining slightly from 60.4% in 1967 to 60.3% in 1977, and public works declining from 9.2% to 7.8% in 1977.

In Yonkers, yet a different set of conditions and choices required a change in city investment of public monies in its respective service areas. Educational needs required an increased, although somewhat small, percentage of total budget appropriations, climbing from 58.3% in 1967 to a 60.5% share of the total city budget in 1977. Public works cost necessitated an increased share, its appropriation levels rising from 10.9% to 13.8% in 1977. Both fire and police department expenditure needs declined over this decade, the fire department's share of total appropriations decreasing from 9.5% in 1967 to 9.1% in 1977, and the police department's share declining from 13.8% to 11.6% in 1977.

TABLE XVI

PERCENTAGE SHARE OF TOTAL APPROPRIATIONS REPRESENTED BY NINE MUNICIPAL RESPONSIBILITIES: Fiscal Years 1967 and 1977

Buffalo, Rochester, Syracuse, Yonkers

Municipal Responsibility [1]	1967	1977	Buffalo Percent +/-	1967	1977	Rochester Percent +/-	1967	1977	Syracuse Percent +/-	1967	1977	Yonkers Percent +/-
Development	.8	1.3	+.5	1.2	4.1	+2.9	1.5	.5	-1.0	.8	.6	-.2
Elementary and Secondary Education	54.6	55.9	+1.3	59.4	52.8	-6.6	60.4	60.3	-.1	58.3	60.5	+2.2
Fire	11.1	11.1	.0	8.2	8.5	+.3	10.3	11.4	+1.1	9.5	9.1	-.4
Human and Cultural Resources	.8	1.4	+.6	2.5	2.4	-.1	—	—	—	3.3	2.4	-.9
Parks and Recreation	4.0	2.1	-1.9	2.7	4.0	+1.3	4.6	3.2	-1.4	3.4	1.9	-1.5
Police	13.8	14.9	+1.1	8.3	9.3	+1.0	9.6	11.5	+1.9	13.8	11.6	-2.2
Public Works	15.0	12.4	-2.6	17.9	18.9	+1.0	9.2	7.8	-1.4	10.9	13.8	+2.9
Transportation, including Aviation	.0	.9	+.9	—	—	—	4.5	5.4	+.9	—	—	—
Total Municipal Responsibilities without Education	45.4	44.1	-1.3	40.6	47.2	+6.6	39.6	39.7	+.1	41.7	39.5	-2.2
Education	54.6	55.9	+1.3	59.4	52.8	-6.6	60.4	60.3	-.1	58.3	60.5	+2.2
Total	100.0 %	100. %		100.0 %	100.0 %		100.0 %	100.0 %		100.0 %	100.0 %	

[1] Officially Adopted Budgets of the respective Cities for Fiscal Years 1966-67 and 1976-77, Bureau of Municipal Research and Statistics, New York State Department of Audit and Control, Albany, New York.

(b) New York City

The City of New York presents yet another entirely distinct pattern of municipal service priorities from the four upstate Big Five Cities.

In addition ot the responsibility for financing elementary and secondary education which the four upstate cities share, New York City is also responsible for two other high expenditure responsibilities for which the four upstate cities bear no financial responsibility: Welfare and health and hospitals. Such functions were transferred to the respective counties by the upstate cities in the Thirties and Forties. By 1977, welfare had become the most costly expenditure item in New York City, a position held by elementary and secondary education in 1967. In all fairness, it must be noted that public assistance or welfare costs constitute a staggering drain on New York City's financial resources. The City has no control over the kind and level of welfare benefits payable to eligible claimants from the City's treasury. The law, rules and regulations of the New York State Department of Social Services and the United State Department of Health, Education, and Welfare govern all facets of its distribution.

In New York City, in fiscal year 1977, approximately 55.7% of its total appropriations were accounted for by two municipal responsibilities - welfare (29.3%) and elementary and secondary education (26.4%). The remaining high expenditure services shared a much smaller proportion of the total budget in comparison with the two major claimants, welfare and education: Fire department, 3.9%, health and hospitals, 9.7%; police department, 9.1%; public works, 5.3%; and higher education, 4.7%.

Although these seven municipal responsibilities, in total, required approximately the same percentage of appropriations in 1977 as they did in 1967, the share of total appropriations for each municipal service has changed substantially. Welfare costs increased significantly, its share rising from 21.8% in 1967 to 29.3% in 1977. Public works costs increased from 1.2% to 5.3% in 1977. Higher education appropriations rose from 3.2% to a 4.7% share in 1977. The remaining four priority municipal responsibilities of New York City received a decrease in their share of total proposed expenditures from 1967 to 1977: fire department, - 1.4%; health and hospitals, - 2.6%; police department, - 2.0%; and elementary and secondary education, - 6.8%.

Other responsibilities of a less costly nature have received increased shares of total city appropriations from 1967 to 1977: corrections, .4%; development, 1.8%; transportation, .9%. Still other municipal services have received a decrease in their share of total municipal appropriations: aviation, .3%; libraries, .1%; parks and recreation, .2%; sanitation, 1.9%; and water supply, .8%. (Table XVII).

TABLE XVII

PERCENTAGE SHARE OF TOTAL APPROPRIATIONS REPRESENTED BY EIGHTEEN MUNICIPAL RESPONSIBILITIES: Fiscal Years 1967 and 1977

New York City

Municipal Responsibility [1]	1967	1977	Percent +/-
Aviation	.4	.1	-.3
Corrections	1.1	1.5	+.4
Development	1.0	2.8	+1.8
Fire	5.3	3.9	-1.4
Health and Hospitals	12.3	9.7	-2.6
Library	.8	.6	-.2
Markets	.1	.1	.0
Museums	.2	.3	+.1
Parks and Recreation	1.5	1.3	-.2
Police	11.1	9.1	-2.0
Public Works	1.2	5.3	+4.1
Sanitation	3.8	1.9	-1.9
Transportation	1.1	2.0	+.9
Water Supply	1.9	1.1	-.8
Welfare	18.9	28.4	+9.5
Poverty Program	2.9	.9	-2.0
Elementary and Secondary Education	33.2	26.4	-6.8
Higher Education	3.2	4.7	+1.5
Total Municipal Responsibilities Without Education	63.6	68.9	+5.3
Total Education	36.4	31.1	-5.3
Total	100.0 %	100.0 %	

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[1] Officially Adopted Budget of the City of New York for Fiscal Years 1966-67 and 1976-77, Bureau of Municipal Research and Statistics, New York State Department of Audit and Control, Albany, New York.

B. TRANSFORMATION IN CITY REVENUE PATTERNS

To secure property tax relief by means other than State Finance of Education, the State and its local governments are pursuing three alternative courses of action: (1) state revenue sharing; (2) local revenue diversification; and (3) circuit breakers. The enlarging revenue base of cities has supported the dramatic increases in spending reported earlier. Substantial real property tax increases, however, were also needed to meet mounting city costs.

(1) Revenue increase

Growth in the individual city's revenues for the 1967-1977 decade in current dollars is set forth in Tables XVIII and XIX. The City of Buffalo's revenues for both city and elementary and secondary education purposes have grown from $107.6 million in 1967 to $257.2 million in 1977. Rochester's revenues increased from $92.6 million to $228.5 million in 1977. Syracuse has seen revenues increase from $50.5 million in 1967 to $103.6 million in 1977. Yonkers experienced a revenue increase from $57.2 million in 1967 to $136.9 million in 1977. (Table XVIII). New York City has watched its revenues increase from $4.6 billion in 1967 to $12.5 billion in 1977. (Table XIX).

(2) Inter-City Comparison of Revenues by Major Source

As was done in order to establish a common basis for measurement, comparison, and evaluation of appropriations, the various revenue bases available to the cities have been converted to a per capita basis utilizing the same city population bases cited earlier.

(a) Upstate Cities

There are several revenue sources available to these cities. However, in comparison with New York City, the number of different tax or income sources available to these cities is limited. The major sources of revenue for the upstate cities are the real property tax, sales tax, State Revenue Sharing and other special State aid programs. Federal aid has emerged as a significant new source of revenue for these cities in the past ten years. All major revenue sources are yielding significantly increased returns.

TABLE XVIII

Revenue Sources by Source: Fiscal Years 1967 and 1977

Buffalo, Rochester, Syracuse, Yonkers

$ (Thousands)

	Buffalo		Rochester		Syracuse		Yonkers	
Revenue Source [1]	1967 $	1977 $	1967 $	1977 $	1967 $	1977 $	1967 $	1977 $
City Purposes only								
Real Property Taxes	34.6	47.1	20.3	39.3	13.7	6.6	16.7	19.1
Sales and Use Taxes	5.3	22.4	9.7	23.5	3.2	19.5	6.6	22.2
Utilities Tax	3.2	1.9	.7	1.4	.4	1.0	.3	.9
In Lieu of Taxes	.2	.2	.0	1.0	.1	.5	.1	—
OTB and Raceway	—	.6	—	.3	—	—	1.7	4.1
State Aid	6.9	41.9	4.5	12.2	2.9	14.6	2.7	15.4
City Departmental	3.2	9.3	2.8	2.2	2.1	6.1	.5	2.2
Federal Aid	—	8.4	—	4.3	—	2.0	—	1.7
Water	—	—	5.3	16.4	2.4	—	1.5	7.1
Sewer	—	—	—	—	—	—	—	.5
Special Assessments	—	—	—	5.4	—	—	—	—
Other Revenues	5.0	17.4	6.6	23.6	2.7	3.4	2.8	4.3
Sub Total	58.5	149.2	49.8	129.6	27.5	53.6	32.9	77.6
School Purposes only								
State Aid	24.6	57.8	13.9	28.5	11.2	21.9	9.7	14.4
Departmental	—	—	8.3	18.6	—	—	—	.1
Federal Aid	.1	.1	.1	.0	—	—	.1	—
Other Sales, Etc	4.8	7.6	—	—	.4	.6	.0	—
Real Property Taxes	19.2	42.5	20.6	51.7	11.5	27.6	14.4	44.8
Sub Total	49.1	107.9	42.9	98.9	22.9	50.1	24.3	59.4
Total	107.6	257.2	92.6	228.5	50.5	103.6	57.2	136.9

[1] Officially Adopted Budgets of the respective Cities for Fiscal Years 1966-67 and 1976-77, Bureau of Municipal Research and Statistics, New York State Department of Audit and Control, Albany, New York.

TABLE XIX

Revenue Sources by Sources: 1967 and 1977

New York City

$ (Thousands)

Revenue Sources [1]	1967 $	1977 $
City Purposes Only		
Real Property Taxes	853.7	1,822.5
General Fund	1,378.7	3,348.9
State Aid	534.2	1,818.9
City Departmental	26.9	36.1
Federal Aid	447.8	1,837.5
Water	—	—
Sewer	16.6	—
Other Revenues	96.2	115.8
Sub Total	3,354.0	9,287.9
Elementary and Secondary School Purposes Only		
State Aid	377.1	820.2
Federal Aid	59.8	257.8
Other	20.4	198.9
Real Property Taxes	666.6	1,468.2
Sub Total	1,123.9	2,745.2
Higher Education Purposes Only		
State Aid	47.5	195.0
Federal Aid	—	—
Fees	10.0	109.3
Real Property Taxes	52.7	140.3
Sub Total	110.2	444.6
Total	4,588.2	12,477.8

[1] Officially Adopted Budgets of New York City for Fiscal Years 1966-67 and 1976-77, Bureau of Municipal Research and Statistics, New York State Department of Audit and Control, Albany, New York.

The real property tax continues for all cities in a prominent role for the finance of city governments. In 1977, Buffalo required $115.59 per capita to finance city operating costs and an additional $104.32 per capita to meet the city schools financial needs. Rochester requested $147.04 per capita to finance city operating costs and an additional $193.60 to finance its schools. Syracuse raised $36.26 per capita to finance city operations and $151.04 to finance its schools. Yonkers drew upon this source, requesting $99.39 for city purposes and $232.84 per capita for school purposes.

The sales tax has become a rapidly growing source of revenue for the cities. In 1977, Buffalo acquired $55.06 per capita from this source; Rochester, $87.86; Syracuse, $106.60; and Yonkers, $115.15 per capita. In 1967, the sales tax provided Buffalo with but $9.95 per capita, Similarly, the sales tax contributed $30.33 to Rochester, $14.81 to Syracuse, and $34.63 to Yonkers in 1967.

State aid has grown at a significant pace. In 1977, Buffalo attributed $103.03 per capita to this source for city operating purposes and $141.85 per capita for education. Rochester welcomed $45.68 per capita for city costs and $106.84 for education. Syracuse acquired $79.98 per capita for city purposes and $119.96 for school expenditures. Yonkers obtained $80.10 per capita for city operating costs and $74.82 for school operating purposes.

Federal aid emerged, in 1977, as a new source of revenue for the cities. In Buffalo, federal aid provided $20.59 per capita; Rochester, $16.08; Syracuse, $10.89; and Yonkers, $8.77 per capita.

City departmental income, achieved through the levy of a variety of fees for services, provided an additional source of income. In Buffalo, department services produced $22.78 per capita; Rochester, $8.21; Syracuse, $33.14; and Yonkers, $11.64.

Some user or service charges are levied in some cities. Rochester received $61.20 per capita from the Water Fund in 1977, while Yonkers received $36.96 per capita from this source. Rochester has established a Special Assessment Fund to pay the actual costs of snow removal. This Fund provided $20.36 per capita in 1977. Yonkers has a unique resource in the Yonkers Raceway, which netted the city $21.30 per capita in 1977.

For the remaining income sources of relatively minor importance, see Table Table XX.

TABLE XX

PER CAPITA REVENUE SOURCES: Fiscal Years 1967 and 1977

Buffalo, Rochester, Syracuse, Yonkers

Revenue Sources [1]	Buffalo		Rochester		Syracuse		Yonkers	
	1967 $	1977 $	1967 $	1977 $	1967 $	1977 $	1967 $	1977 $
City Purposes Only								
Real Property Taxes	64.90	115.58	63.73	147.04	63.40	36.26	87.84	99.39
Sales and Use Taxes	9.95	55.06	30.33	87.86	14.81	106.60	34.63	115.15
Utilities Tax	6.02	4.67	2.13	5.24	1.81	5.22	1.44	4.52
In Lieu of Taxes	.36	.54	.11	3.75	.302.52		.42	—
OTB and Raceway	—	1.60	—	1116	—	—	8.79	21.30
State Aid	13.07	103.03	13.99	45.68	13.57	79.98	14.36	80.10
City Departmental	6.09	22.78	8.80	8.21	9.78	33.14	2.76	11.64
Federal Aid	—	20.59	—	16.08	—	10.89	—	8.77
Water	—	—	16.43	61.20	11.18	—	7.93	36.96
Sewer	—	—	—	—	—	—	—	2.81
Special Assessment	—	—	—	20.36	—	—	—	—
Other Revenues	9.45	42.64	20.68	88.36	12.41	18.87	14.48	22.49
Sub Total	109.83	366.48	156.20	484.94	127.26	293.48	172.64	403.12
School Purposes Only								
State Aid	46.24	141.85	43.53	106.84	51.65	119.96	51.15	74.82
Departmental	—	—	26.10	69.70	—	—	—	.72
Federal Aid	.13	.25	.40	.02	—	—	.66	—
Other Sales, Etc.	9.04	18.67	—	—	1.76	3.21	.07	—
Real Property Taxes	36.07	104.32	64.54	193.60	53.06	151.04	75.60	232.84
Sub Total	92.13	265.08	134.56	370.16	106.46	274.22	127.47	308.38
Total	201.96	631.57	290.76	855.11	233.72	567.69	300.11	711.50

[1] Officially Adopted Budgets of the respective Cities for Fiscal Years 1966-67 and 1976-77, Bureau of Municipal Research and Statistics, New York State Department of Audit and Control, Albany, New York.

(b) New York City

The City's real estate tax is the single largest source of the City's revenues. In 1977, this tax provided $243.60 per capita for city operating purposes, $196.24 for elementary and secondary education, and $18.76 for higher education purposes.

A variety of other taxes provide a substantial proportion of the City's revenues. Such taxes are the sales tax, personal income tax, general corporate income, financial corporation and other business taxes, and the stock transfer tax. In 1977, such taxes amounted to $447.62 per capita.

State aid, composed of revenue sharing and other special aid programs, is an important source of revenue. New York City receives approximately 60% of the total amount of state revenue sharing allocations. This source of state assistance and other special state aid programs combined to provide $243.12 per capita in income to the city in 1977 for general city operating purposes, $109.63 for elementary and secondary education purposes, and $26.06 per capita for higher education costs.

Federal aid, composed of funding received under various congressional enactments - State and Local Fiscal Assistance Act of 1972, Comprehensive Employment and Training Act of 1975, Public Works Employment Act of 1976, and the Intergovernmental Anti-Recession Assistance Act of 1977, to mention a few authorizations - amounted to $245.60 per capita in 1977 for city operating costs and $34.46 for elementary and secondary education expenses. (Table XXI).

TABLE XXI

PER CAPITA REVENUE SOURCES: Fiscal Years 1967 and 1977

New York City

Revenue Source [1]	1966-67 $	1976-77 $
City Purposes Only		
Real Property Taxes	109.70	243.60
General Fund	177.16	447.62
State Aid	68.64	243.12
City Departmental	3.46	4.82
Federal Aid	57.54	245.60
Water	—	—
Sewer	2.14	—
Other Revenues	12.36	15.49
Sub Total	431.00	1,241.44
Elementary and Secondary School Purposes Only		
State Aid	48.46	109.63
Federal Aid	7.69	34.46
Other	2.63	26.60
Real Property Taxes	85.66	196.24
Sub Total	144.43	366.92
Higher Education Purposes only		
State Aid	6.10	26.06
Federal Aid	—	—
Fees	1.29	14.61
Real Property Taxes	6.77	18.76
Sub Total	14.15	59.43
Total	589.59	1,667.79

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[1] Officially Adopted Budget of New York City for Fiscal Years 1966-67 and 1976-77, Bureau of Municipal Research and Statistics, New York State Department of Audit and Control, Albany, New York.

(3) Changes in Local Revenue Diversification

As illustrated earlier, the cities have attempted to achieve a more balanced use of the tax sources available to them - real property and sales primarily. Intergovernmental aid has provided an important new dimension in the cities efforts to diversify revenue sources.

To discover whether, over the past decade, there has been a change in revenue diversification patterns among the cities and to evaluate the success of the cities in adopting such policies, the percentage which each major revenue source achieved in relation to total anticipated revenue collections was calculated for fiscal years 1967 and 1977.

The real property tax continues to be a major force in the finance of city governments and the urban services they provide. However, between 1967 and 1977, the pattern of primary reliance on this source of revenue has changed toward a more balanced use of a combination of revenue sources.

In Buffalo, in 1967, the real property tax produced 50% of all revenues employed to support city and school operating costs. By 1977, the share that this tax, as one source of revenue, commanded in the total revenue picture, had shrunk from 50% of all revenues in 1967 to 34.8% of all revenues in 1977, a 15.2% decline. From 1967 to 1977, Rochester real property tax receded from its 44.2% share of all revenues in 1967 to a 39.8% portion in 1977, a decline of 4.4%. Syracuse achieved the most significant decline among the Big Five Cities in reliance on this tax, reducing its share from 49.9% of all revenues in 1967 to 33.0% in 1977, a 16.9% decrease. Yonkers' dependence on this tax declined 7.7% over the decade, the predominance of the tax providing 46.7% of all revenues in 1977, as compared with its 54.4% portion in 1967. The City of New York, with many more tax sources than those available to the upstate cities, reduced its reliance on the property tax by 6.8%, its funding share of all resources declining from 34.3% of all revenues in 1966 to 27.5% of all revenues in 1977.

(a) Upstate cities

These cities have benefited by growth in reliance on state aid and on sales tax proceeds in varying degrees.

State aid in Buffalo, to support city department services, increased from 11.9% of anticipated revenues in 1967 to 28.1% in 1977. Rochester's share of state aid increased from 9.0% in 1967 to 9.4% in 1977.[8] Syracuse anticipated state aid would fund 27.3% of its revenue needs for city services in 1977, while only 10.7% was available in 1967. Yonkers watched its share of state aid grow from the position of funding 8.3% of its needs in 1967 to a share of 19.9% of total revenues for city use in 1977.

Sales tax proceeds, a matter of negotiation between the city and the respective county in which the city is located as to the amount to be distributed among the several municipalities within the county and to be retained by the county for its purposes, has become a growing resource relied upon by the cities. In Buffalo, in 1967, the sales tax provided 9.1% of all revenues for city services. By 1977, the sales tax supported 15.0% of the revenues needed to finance city services. Syracuse, in 1967, could rely upon the sales tax to cover 11.6% of its anticipated costs for city activities and, by 1977, its share of total city operating costs increased to 36.3%. Yonkers sales tax share has increased from 20.1% in 1967 to 28.6% of all revenues needed to fund city services. Rochester, alone among the upstate cities, has experienced a decline in proceeds from sales tax collections, the percent of revenues received declining from 19.4% share of revenues in 1967 to 18.1% in 1977.

Federal aid has emerged as a new source of revenue, Buffalo reporting that such funding provided for 5.6% of its revenue needs in 1977; Rochester, 3.3%; Syracuse, 3.7%; and Yonkers, 2.2%.

With respect to the finance of educational costs, the cities rely upon two revenue sources - state aid and the real property tax. In all the cities, reliance upon the property tax as a major source of revenue for elementary and secondary education has grown from 1967 to 1977. State aid to education provides a major share of relief to the cities in meeting the heavy costs of education, in addition to high municipal service needs, upon a limited number of revenue bases. (Table XXII).

TABLE XXII

PERCENTAGE OF TOTAL REVENUES BY SOURCE OF REVENUES: Fiscal Years 1967 and 1977

Buffalo, Rochester, Syracuse, Yonkers

	Buffalo		Rochester		Syracuse		Yonkers	
Revenue Source [1]	1967	1977	1967	1977	1967	1977	1967	1977
City Purposes Only	%	%	%	%	%	%	%	%
Real Property Tax	51.9	31.5	40.8	30.3	49.8	12.4	50.9	24.7
Sales and Use Tax	9.1	15.0	19.4	18.1	11.6	36.3	20.1	28.6
Utilities Tax	5.5	1.3	1.4	1.1	1.4	1.8	.8	1.1
In lieu of Taxes	.3	.1	.1	.8	.2	.9	.2	—
OTB and Raceway	—	.4	—	.2	—	—	5.1	5.3
State Aid	11.9	28.1	9.0	9.4	10.7	27.3	8.3	19.9
City Departmental	5.5	6.2	5.6	1.7	7.7	11.3	1.6	2.9
Federal Aid	—	5.6	—	3.3	—	3.7	—	2.2
Water	—	—	10.5	12.6	8.8	—	4.6	9.2
Sewer	—	—	—	—	—	—	—	.7
Special Assessment	—	—	—	4.2	—	—	—	—
Other Rvenues	8.6	11.6	13.2	18.2	9.8	6.4	8.4	5.6
Sub Total	54.4	58.0	53.7	56.7	54.5	51.7	57.5	56.7
School Purposes Only								
Real Property Tax	39.2	39.4	48.0	52.3	49.8	55.1	59.3	75.5
State Aid	50.2	53.5	32.4	28.9	48.5	43.8	40.1	24.3
Departmental	—	—	19.4	18.8	—	—	—	.2
Federal Aid	.1	.1	.3	—	—	—	.5	—
Other Sales, Etc.	9.8	7.0	—	—	1.7	1.2	.1	—
Sub Total	45.6	42.0	46.3	43.3	45.6	48.3	42.5	43.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] Officially Adopted Budgets of the respective Cities for Fiscal Years 1966-67 and 1976-77, Bureau of Municipal Research and Statistics, New York State Department of Audit and Control, Albany, New York.

(b) New York City

The lessening role of the real property tax is well illustrated by the decline in the percent of total revenues this source assumed in 1977, as compared with 1967. For city operations, this tax bore 25.5% of total revenue needs in 1967; by 1977, it claimed 19.6% of all revenues. For elementary and secondary education, property tax revenues declined from a 59.3% share in 1967 to 53.5% in 1977. Higher educations' reliance upon this source declined from 47.8% in 1967 to 31.6% in 1977.

Intergovernmental aid - state and federal - have been the major growth factors in New York City's budget. For city purposes, state aid increased its share of all revenues for city activities from 15.9% in 1967 to 19.6% in 1977. Education aid from the State, although doubling in dollar terms, in relation to other revenue growth sources, declined to 29.9% of revenues allocated for educational costs. Growth in Federal aid has been the largest growth revenue source, climbing from a 13.4% share in 1967 to 19.8% in 1977 for city services and increasing from 5.3% in 1967 to a 9.4% share in 1977 for elementary and secondary education purposes. (Table XXIII).

TABLE XXIII

PERCENTAGE OF TOTAL REVENUES BY SOURCE OF REVENUE: Fiscal Years 1967and 1977

New York City

Revenue Source [1] City Purposes Only	1967 %	1977 %
Real Property Taxes	25.5	19.6
General Fund	41.1	36.1
State Aid	15.9	19.6
City Departmental	.8	.4
Federal Aid	13.4	19.8
Water	—	—
Sewer	.5	—
Other Revenues	2.9	1.3
Sub Total	73.1	74.4
Elementary and Secondary School Purposes Only		
Real Property Taxes	59.3	53.5
State Aid	33.6	29.9
Federal Aid	5.3	9.4
Other	1.8	7.3
Sub Total	24.5	22.0
Higher Education Purposes Only		
Real Property Taxes	47.8	31.6
State Aid	43.1	43.9
Federal Aid	—	—
Other Fees	9.1	24.6
Sub Total	2.4	3.6
Total	100.0	100.0

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[1] Officially Adopted Budget of the City of New York for Fiscal Years 1966-67 and 1976-77, Bureau of Municipal Research and Statistics, New York State Department of Audit and Control, Albany, New York

(c) CONCLUSION

The cities response to severe financial conditions, by reducing expenditures and by diversifying revenue sources, have been short-run attempts which have met the immediate emergency of maintaining and restoring fiscal integrity. Over the long-run, however, demographic changes in the respective city populations, and a now excessively burdened fixed economic base, can no longer support substantial expenditure growth.[7]

Federal revenue sharing, enacted originally as a revolutionary approach to fiscal federalism to alleviate the financial concerns of state and local government, has become a stop-gap program in the face of inflation and recession. Other federal assistance efforts, such as the Comprehensive Employment and Training Act, intended as stop-gap measures to be withdrawn after national economic recovery, have become essential ingredients in the finance of city responsibilities.

A fundamental economic turnaround is needed to restore the cities viability as economic entities in themselves. Such action could come in the form of a large infusion of permanent intergovernmental aid. Those responsibilities, which are more expensive and less subject to control by the cities, i.e. education and welfare, could be reduced. New tax sources, i.e. income and users charges, could be introduced.

CHAPTER IV

ISSUES OF THE BIG FIVE CITIES

The vicissitudes of the fiscal constraints upon the cities are enmeshed, in a web of legal, constitutional, and political intricacies and subtleties. Issues of paramount importance to the structure and finance of local governments are being handed by the courts to the Legislature for its considered thought and resolution. Intergovernmental actions, their irresolute course, and differing manners of distributing regional resources or matching funding are bringing instability to the finance of essential municipal services, already constricted by the overburden of inflated costs and innumerable demands upon scarce, and increasingly nonexistent resources. Financial realities have caused interjurisdictional competition between cities and counties for scarce tax dollars, much as the need for economic development has drained the cities of established manufacturing concerns in the competition between cities and suburbs.

This chapter will etch briefly the recent background of issues the cities indicate are most pressing.

A. ISSUE OF LOSS OF LOCAL FISCAL INDEPENDENCE AND OF LOCAL AUTONOMY

The New York State Temporary State Commission on the Constitutional Convention of 1967 traced with care the evolution of local home rule powers in New York State:

> "Home rule, in a very genuine sense, may be said to stem from the local election of local officials. This, in New York, ante dates statehood.....The real beginning of home rule in New York State dates from 1913, with the legislative enactment of a general grant of power to all cities to manage and control their own property, affairs and government..."[1]

Financial pressures, due to the obsolescence of the real property tax as a single or sole base of support for local government activities, and the productiveness of State and Federal revenue raising structures, have necessitated dependence on the State and Federal government for financing urban services. The consequences of dependency have been a loss of local fiscal independence and of local autonomy.

Over the years, the fiscal needs of the cities have forced a sympathetic legislature to, in effect, relax various constitutional limitations on their powers to finance urban services, thus theoretically conferring greater home rule powers upon the cities. Practically, however, the power of unlimited taxation and unlimited borrowing has been curtailed by the inflated costs of city services, by excessively-taxed local landholders, by investment community decisions, and by compliance with the terms and conditions posed by State and Federal governments for funding to survive. The New York State Court of Appeals has recently reminded the New York State Legislature and the cities that constitutional limitations on the power to tax and to borrow do indeed exist in the Constitution.

1. Constitutional Tax Limit

Article VIII, Section 10, of the New York State Constitution sets a limit on the power of some local governments to impose real property taxes for current operating purposes. Such limits are imposed on counties, cities, villages and school districts wholly or partly located within cities. Such limits are not imposed on towns, school districts wholly located outside cities, or fire districts.

For cities with more than 125,000 people but less than one million residents, that is, Buffalo, Rochester, Syracuse and Yonkers, the taxing limit is 2% of the most recent five year average of full valuation of taxable real estate. With the overlapping county tax limit, the total, and thus higher, tax limits for these cities amount to 3.5 to 4.0%, which may be applied to specific pieces of real property in the cities. For cities with more than one million residents, that is, New York City, the tax limit is 2.5% of the most recent five year average of full valuation. Because New York City is composed of five counties, there is no problem of overlapping tax limits. The method of

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computing the limit, i.e. the five year average, rather than annual, assessed value was adopted in 1938 to prevent rapid fluctuation in taxing power. The method chosen was prompted by concern over rapid decreases in assessed valuation produced by depression, rather than rapid increases produced by inflation.[2]

Article VIII of the New York State Constitution was amended by adding Section II (b) to such article in 1951. This new provision applies only to counties, cities other than New York City, villages, and small city school districts. It permits the exclusion from the tax limit of taxes levied for "an object or purpose for which a period of probable usefulness has been determined by law." As the New York State Temporary State Commission on Constitutional Tax Limitations in 1975 noted:

> "It is possible for all localities that are subject to constitutional tax limits, except New York City, in effect to have the limits expanded by a State legislative enactment determining a period of 'probable usefulness' for one or more objects or purposes previously financed through the levy of taxes within the tax limit."[3]

The case of Hurd v. City of Buffalo assayed and limited the extent of the power of the New York State Legislature with respect to this provision.

The establishment of such limits, in 1884, was caused by evidence of local graft, corruption, and extravagance. There was concern that the rate of real estate taxation in large cities was excessive, which might slow private investment in housing and business.

The creation of such limits, it was hoped, would prevent excessive expenditures, encourage the elimination of governmental waste, and increase government efficiency. Local governments would be forced to consider broadening their tax base by adding non-property taxes in order to obtain sufficient revenues, the limits thus serving as a guideline for sound local taxing systems. It was thought that such limits would enhance local government credit and protect bond holders by conserving tax sources used for debt service.[4] Questions, however, were raised about the ability of cities under tax limits to adjust quickly to the pressures of changing conditions, urbanization, inflation, or natural disaster.

Over the years, the inflexibility of the tax ceilings imposed on the cities by the constitutional tax limit has been a continuing concern. To ease the financial restraint on the cities, when a city's constitutional tax limit has been reached, several ingenious methods to avoid these limits have been created by local governments. These methods are: (1) increase revenues from sources other than the real property tax; (2) reduce expenditures; (3) finance current expenditures through the issuance of revenue bonds payable from the subsequent year's budget as debt service not subject to the limit; (4) divert revenues from public improvement projects for general operating purposes rather than for payment of debt service on such improvements; (5) finance specific municipal services by special assessments against real property, thus permitting use of the "freed" funds for other current expenses; and (6) decide not to establish sufficient cash reserves to meet revenue gaps created by tax delinquencies or by deficits from annual tax levies, thus artificially increasing current revenues.[5]

In other instances to avoid the tax limits, action by the State has been taken. The New York State Legislature has established a period of probable usefulness for numerous specific objects or purposes of expenditure in Section 11.00 of the State Local Finance Law. Thus, constitutional tax limits do not apply to tax levies for debt service payments[6] or, in cities other than the City of New York, to current expenditures for capital outlays.[7] Other "periods of probable usefulness" have been established to permit cities to levy real property taxes in excess of their tax limit for current budgetary appropriations. For example, periods of probable usefulness have been established for the costs of retirement and social security contributions,[8] health insurance,[9] rental payments to the New York State Dormitory Authority,[10] job and business opportunity expansion programs,[11] exterior cleaning and beautification of public buildings and monuments,[12] and judgements, claims and awards.[13] There are eighty authorized purposes and objects of expenditures for which municipalities may levy real property taxes above their constitutional tax limits.

(a) Constitutional Tax Limit Exhausted

The cost of educational and municipal services has risen rapidly despite severe cost savings measures taken by the cities.

The property tax base, however, has been essentially static. In the last five years, the assessed value of taxable property has increased to a negligible extent in four of the Big Five Cities and decreased in one of the cities. Rochester's taxable property value increased 1.5% from the fiscal year ending in 1973 to the fiscal year ending in 1977. Syracuse's taxable property increased 3.4%. Yonkers experienced a 3.1% increase. New York City's taxable property grew by 2.5%. Buffalo experienced a 2.4% decrease over this five year time span. (Table XXIV).

TABLE XXIV

Trends in Assessed Valuation:

Fiscal Years 1973 and 1977

City	Taxable Property 1972-73 $	Taxable Property 1976-77 $	Percent Increase/Decrease 1972-77 %
Buffalo	969.3	945.7	2.4
Rochester	748.2	759.2	1.5
Syracuse	451.5	466.8	3.4
Yonkers	657.6	678.3	3.1
New York City	37,865.1	38,827.1	2.5

The cities have exhausted their constitutional tax limits. In the fiscal year ending in 1977, Buffalo's maximum taxing power for current operating expenses of the city and the school district was $112.4 million. The total tax levy for city and school purposes amounted to $89.5 million. There remained a tax margin of $22.8 million available for future expenditure increases. In Rochester, the city's maximum taxing power was $97.2 million in 1977. Its tax margin, after the tax levy, amounted to $3.3 million for future unexpected expenditure increases. Syracuse and Yonkers are levying real property taxes at their maximum taxing power, leaving no tax margin for future increases in expenditures. New York City, in 1977, found itself with a tax margin of $700,000 for future cost increases. (Table XXV).

The cities concern may be placed in perspective when it is recognized that several budgetary conditions may necessitate unexpected future expenditure increases. For example, in Yonkers, in 1977, the New York State Court of Appeals ordered the City of Yonkers to reinstate approximately 300 teachers with back pay who had been dismissed during the height of the city's financial crisis. The cost to the City of this judgment was estimated not to exceed $7.5 million. In Buffalo, in 1977, a negotiated wage settlement awarded a wage and benefit increase to teachers at an estimated cost to the city of $4.2 million during the 1977 fiscal year.

TABLE XXV

TRENDS IN CONSTITUTIONAL TAX LIMIT: Fiscal Years 1967 and 1977

[1] Big Five Cities in New York State

$ (Thousands)

	Buffalo		Rochester		Syracuse		Yonkers		New York	
	1967	1977	1967	1977	1967	1977	1967	1977	1967	1977
	$	$	$	$	$	$	$	$	$	$
Constitutional Tax Limit	42.8	41.5	33.9	42.8	19.1	22.9	22.7	47.6	1,010.8	1,897.3
Maximum Taxing Power	54.2	112.4	41.1	97.2	25.2	34.2	31.2	63.6	1,580.6	3,415.5
Total Tax Levy	53.8	89.5	40.9	93.9	25.2	34.2	31.2	63.6	1,572.9	3,414.8
School Tax Levy	19.2	42.5	20.6	51.7	11.5	27.6	14.4	44.5	720.2	1,609.7
City Tax Levy	34.6	47.1	20.3	42.1	13.7	6.6	16.7	19.1	852.7	1,805.1
Constitutional Tax Margin	.5	22.8	.3	3.3	.1	0	0	0	7.7	.7

[1] City Tax Limits, Bureau of Municipal Research and Statistics, New York State Department of Audit and Control, Albany, New York.

(b) Hurd v. City of Buffalo

Because of rapidly rising costs, lack of growth in the property tax base and resultant revenues, and the rapidly narrowing gap between the tax levy and the applicable tax limit, the cities began to levy real property taxes, including the cost of pension and retirement payments, upon the taxable real estate in the cities. This increase in the maximum taxing powers of the cities was undertaken pursuant to authorization of subdivision (b) of Section II of Article VIII of the New York State Constitution and paragraph 42-a of subdivision a of section 11.00 of the State Local Finance Law.

In March, 1974, the New York State Court of Appeals, in the case of Hurd v. City of Buffalo (343 N.Y.S. 2nd 950, 355 N.Y.S. 2nd 369), declared unconstitutional the State statute authorizing the exclusion of retirement and social security costs from the constitutional tax limit. The Court reasoned that:

> "If we could exempt ordinary periodic pension payments on the theory that their usefulness outlives the fiscal year when they are made, we could do this with almost all of the City's expenditures, and the constitutional restriction would be meaningless".

The Court held that:

> "The constitutional tax limit of two percent for operating expenses...was the maximum tax which could be levied on real property without becoming oppressive, and it may not be circumvented by legislation."[14]

The New York State Legislature, in 1974 and in 1975, enacted legislation which authorized the cities of Buffalo, Rochester, Syracuse and Yonkers, and all other affected municipalities, except the City of New York, to continue to include retirement and social security costs in their computation of their tax levies on an emergency basis, pending the recommendations of the newly established New York State Temporary Commission on Constitutional Tax Limits. The Temporary Commission on Constitutional Tax Limits proposed, among other alternatives, the passage of a constitutional amendment authorizing the exclusion of these costs in the computation of constitutional tax limits. After passage of this proposed constitutional amendment in two subsequent sessions of the New York State Legislature, the proposal was defeated by the voters in a general election held in November, 1975.

In 1976, the New York State Legislature enacted the Emergency City and School District Relief Act and the State Real Property Tax Act (Chapter 349, Laws of 1976). The Emergency City and School District Relief Act continues legislative authorization to exclude the annual cost of pension and social security contributions from the computation of tax limitations on an emergency basis, as was done in 1974 and 1975. This Act applies only to the Cities of Buffalo and Rochester and each school district partly within or wholly within a city having less than 125,000 inhabitants. This Act excludes the city of Syracuse and Yonkers. In the event that the New York State Court of Appeals declares the Emergency Relief Act unconstitutional, Chapter 349 also enacted the State Real Property Tax Act. This Act authorizes any city having a population of 125,000 inhabitants or more and the affected school districts mentioned above to request that the New York State Comptroller make state aid payments to the requesting municipality in an amount not to exceed a maximum amount set forth for each municipality in the statute. The City of Syracuse was excluded in this enumeration. These maximum amounts are equivalent to the amounts which the municipalities would have been able to exclude from the tax limit under the Emergency Relief Act. The state is authorized to levy a state real property tax on the municipality requesting such state aid in the same total amount as the state aid grant. This Act, if it becomes effective, is seen as a temporary solution, and is to expire on June 30, 1980. These measures were enacted in anticipation of the favorable passage of a question during the November, 1977, general election calling for the convening of a constitutional convention. It was expected that the convention would undertake an extensive review of the Constitution, including present constitutional limitations on local financing. In November, 1977, the voters defeated the question.

The constitutionality of Chapter 349, Laws of 1976, is currently under challenge in the courts. A ruling that Chapter 349 is unconstitutional was made by the New York State Supreme Court in Monroe and Ontario Counties in the cases of Waldert v. City of Rochester, Bethlehem Steel Corporation v. Board of Education of the City School District of Lackawanna, and Jones et al v. City School District of the City of Geneva (395 N.Y.S. 2nd 939), June 15, 1977. The court held that:

> "Chapter 349 of the Laws of 1976 presents the identical problem (of Hurd) and Hurd must control".

It ruled further that the Act in question cannot be justified as an emergency measure under the state police powers because the purpose of Article III, Section 25, of the New York State Constitution is:

> "to insure continuity of government in emergencies caused by 'enemy attack or by disasters'."[15]

January 20, 1978, the Appellate Division of the New York Supreme Court, Fourth Department, affirmed the lower court's ruling in these cases, commenting on the Emergency Relief Act as follows:

> "We fail to see how the temporary nature of the enactment makes it any less a measure to evade Article VIII, Section 10, which is 'palpably in violation of the plan and purpose' of the 'unified and interdependent plan to control the taxing and debt contracting power of the subdivisions of the State' condemned by the court in Hurd."

With respect to the State Real Property Tax Act, the court stated:

> "That the State Real Property Tax Act is labeled a state tax and that the tax is to be collected by the state and remitted to the cities and school districts through the device of state aid does not...... make it a state tax and, therefore, exempt from Article VIII, Section 10, of the New York State Constitution. For it has the same purpose, has the same effect, and serves the same cities and school districts as the Emergency Relief Act - concededly a measure designed to permit local taxes...The only difference between the two acts is the way in which they seek to circumvent Section 10 of Article VIII of the Constitution: the Emergency Relief Act does it through the device of giving a period of probable usefulness to pension and social security costs; the State Real Property Tax

> Act does it by making a state tax out of a
> local tax."

The ruling in these cases is on appeal to the New York State Court of Appeals.

If the Hurd decision continues to control, and Chapter 349, Laws of 1976, is ruled unconstitutional by the New York State Court of Appeals, the cities will no longer be able to include retirement and social security costs in their annual total tax levies. Taking the year 1977 as an example of the effect of such a decision on the four upstate cities, it should be remembered that Buffalo and Rochester have almost exhausted their tax limits, while Syracuse and Yonkers are taxing at their limits now. If Buffalo, in 1977, were required to include retirement costs within its tax limit, this city would have had to reduce its operating budget by $16.2 million, or 6%. The inclusion of these costs within Rochester's tax limit would have meant that the city had exceeded its tax limit by $27.9 million. Thus Rochester would have had to reduce its proposed expenditures for city and school purposes by this amount, a cost reduction of 12% of proposed total expenditures. Similarly, the cities of Syracuse and Yonkers, which have already reached their constitutional tax limits, would be required to reduce their respective expenditures by $15.9 million and $19.7 million, or the total annual cost of their pension contributions in 1977. These potential reductions in expenditures for municipal and school services represent a 15% reduction in Syracuse and a 14% cut in urban services for Yonkers.[16] In no city would there be any margin for cost increases due to inflation, new mandates, arbitration awards or litigation orders or settlements. Further, pension and social security contributions, as a percent of the total budgets of the individual cities, have consumed a growing proportion of each subsequent years budgets. Thus, a continuing and enlarging reduction of city expenditures would be necessitated each year solely to pay for the increasing share in the total budget of pension and social security costs.

A grave constitutional crisis confronts the cities and the State. A decision by the New York State Court of Appeals on the constitutionality of Chapter 349, Laws of 1976, is expected in the near future.

2. Constitutional Debt Limit

Article VIII of the New York State Constitution sets a limit on the powers of all local governments with respect to the permitted purposes and conditions of local borrowing and on the amount of debt which localities may incur.

The conditions, set forth in Section 1, 2 and 3 of Article VIII, are prescribed to prevent abuses in borrowing, to safeguard the soundness of local borrowing policies, and to protect the credit of all local governments. Some of these conditions are: (1) limiting debt to local or cooperative local municipal purposes only; (2) prohibiting gifts or loans of money, property or credit to any individual or private corporation, association or undertaking, and prohibiting gifts or loans of credit to public corporations; (3) pledging the local government's full faith and credit for payment of principal and interest; (4) limiting the retirement of indebtedness, and any refunding, to the period of probable usefulness of the object or purpose for which it is to be contracted; (5) providing that annual charges for interest and repayment of debt shall be a first claim on any revenue received by the locality; and (6) prohibiting the establishment of new overlapping taxing and borrowing jurisdictions.

For cities with more than 125,000 residents but less than one million people, that is, Buffalo, Rochester, Syracuse and Yonkers, the debt limit is 9% of the most recent five year average of full valuation of taxable real estate. With the overlapping county debt limits, the total, and thus higher, debt limits for these cities amounts to 16%. For cities with more than one million residents, the debt limit is 10% of the most recent five year average of full valuation, (Section 4 of Article VIII). The method for computing the limit, i.e. the five year average rather than the single latest annual assessed value, was adopted in 1938:

> ":...so that, in times of depression, when borrowing is least objectionable, the ability to borrow is not reduced too drastically and, in times of rising values, when borrowing should be curbed, there may be a lag in the expansion of the borrowing capacity of the community."[17]

The stated debt limitations are subject to a number of exclusions or exemptions. These exemptions from the debt limits, set forth in Section 5 of Article VIII, are: (1) for self supporting projects; (2) for the supply of water; (3) for indebtedness contracted from 1962 through 1972 for sewage conveyance, treatment and disposal facilities.

Special exemptions are permitted the largest cities for stated purposes and amounts. The cities of Buffalo and Rochester are permitted to exclude debt in the amount of $10 million. Syracuse may exclude $5 million. Yonkers is not entitled to any additional debt exclusions (Section 6 of Article VIII). The City of New York has received exemptions for docks, rapid transit purposes, hospitals and some limited school debt (Section 7 of Article VIII).

Beyond the intention to protect the credit of local governments, other reasons were offered in support of the 1938 amendments establishing present debt conditions and limits. It was felt that the establishment of such limits would prevent overextension of a locality's credit during periods of boom leading to later defaults. Overtaxation as a result of debt service obligations could be further curtailed. Lower interest charges for savings for taxpayers would be produced.

Until the 1951 amendment, which permitted the exclusion of certain objects or purposes to which the New York State Legislature had assigned a period of probable usefulness, municipalities had chosen to incur debt to avoid their restrictive tax limits. The adoption of Section 11 (b), permitting certain municipalities to tax for specific capital improvement and direct appropriation purposes, as now limited by the Hurd decision discussed earlier, relieved cities from incurring substantial interest costs. Another implication of the Hurd decision may be a return to the practice of borrowing to pay direct appropriation purposes or objects, or, because of the "cloud" around Section 11 (b), to renew their efforts for alternative revenue sources and for relief from the financing of certain responsibilities.

The method chosen by cities to avoid debt limit restrictions was the creation of public authorities for a particular purpose, which purpose might then be excluded from the constitutional definition of debt limit. By special act of the New York State Legislature, and the operation of Article XVIII of the New

TABLE XXVI

TRENDS IN INDEBTEDNESS: Fiscal Years 1967 and 1975

Big Five Cities of New York State

$ (Thousands)

	Buffalo $	Rochester $	Syracuse $	Yonkers $	New York $
1966-1967 [1]					
Constitutional Debt Limit	109.6	154.8	86.7	107.3	4,243.9
Debt Subject to Limit					
City	45.9	46.6	17.7	25.9	1,933.2
School	39.9	22.7	9.2	35.2	797.3
Total	85.8	69.4	26.9	61.1	2,730.5
Debt not Subject to Limit	43.2	16.9	.4	11.3	2,064.4
Total Indebtedness	129.0	86.2	27.3	72.4	4,795.0
1974-1975 [2]					
Constitutional Debt Limit	177.5	185.2	96.5	160.1	7,435.2
Debt Subject to Limit					
City	116.7	78.9	27.6	43.5	2,908.7
School	47.4	25.7	15.3	54.9	1,290.7
Total	164.1	104.6	42.9	98.5	4,199.3
Debt not Subject to Limit	35.1	91.7	1.4	25.9	6,484.1
Total Indebtedness	199.2	196.3	44.3	124.4	10,683.4
Comparison 1966-67 with 1974-75	%	%	%	%	%
Percent Growth Constitutional Debt Limit 1967 to 1975	-6.9	+19.6	+11.2	+49.2	+75.2
Percent Growth Debt Subject to Limit	+91.1	+50.8	+59.4	+61.1	+53.8
Percent Growth Debt Not Subject to Limit	-18.6	+440.1	+220.5	+129.4	+214.1
Percent Growth Total Indebtedness	+54.4	+127.7	+62.1	+71.7	+122.8

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[1] Report of the Comptroller on Municipal Affairs for the year ending in 1967, New York State Department of Audit and Control, Albany, New York, p.33.

[2] Report of Comptroller on Municipal Affairs for the year ending in 1975, New York State Department of Audit and Control, Albany, New York, p.45.

York State Constitution, providing for low rent housing, nursing home accommodations for persons of low income, and rehabilitation and urban renewal areas, cities have established municipal housing authorities, which may incur debt in their own right.

As can be seen in Table XXVI for the fiscal year ending in 1975, total actual indebtedness in three of the Big Five Cities - Buffalo, Rochester and New York City - exceeded the constitutional debt limit ceilings. In 1967, only Buffalo and New York City actual debt exceeded the ceilings. Syracuse and Yonkers, in total actual indebtedness, have remained below their respective debt ceilings both in 1967 and in 1975. All cities, it must be emphasized, have remained below the constitutional debt limit in terms of indebtedness subject to the limit. With the exception of Buffalo, when comparing the growth in debt not subject to the limit from 1967 to 1975, all other Big Five Cities have incurred significant new debt in those areas of indebtedness excludable from the debt limit. It must be noted that debt incurred by housing authorities for the purpose of financing low rent housing, nursing home accomodations and urban renewal activities are not included on Table XXV for Buffalo, Syracuse, Yonkers and New York City, because the authority mechanism has been used to avoid debt limit restrictions.

(3) Intergovernmental Dependency

As we have seen in the prior chapter, State and Federal aid has assumed a major share in financing urban services provided by the cities. From 1967 to 1977, intergovernmental aid grew to assume 33.7% of Buffalo's anticipated costs for city functions, as opposed to the 11.9% share such aid provided in 1967. In Rochester, 12.7% of its appropriation for city purposes were to be funded from intergovernmental sources in 1977; in 1967, the city could assume only 9.0% of its various revenues would come from intergovernmental aid. Syracuse has seen its intergovernmental aid increase its share of total appropriations for city purposes from 10.7% in 1967 to 31.0% in 1977. Yonkers' intergovernmental aid has grown from its 8.3% share in 1967 to provide 22.1% of all revenues in 1977. New York City's reliance on intergovernmental aid has grown from a 29.3% share of anticipated revenues in 1967 to 39.4% in 1977.

The increasing degree of involvement by Federal and State agencies in matters of local finance has caused a fundamental transition in the traditional structure of federalism. In the past, each level of government remained self-sufficient. Each level of government financed the services for which it undertook responsibility. State governments were relatively weak. The federal government played an almost incidental role in the fiscal concerns of local government and was of little more importance as a factor in state government finance.

During the Sixties, the Federal government became a stimulator of new local and state responsibilities. State governments, because of the obsolescence of the real property tax as the mainstay of city budgets, assumed greater responsibility for sharing the resources of their tax structures in their policy decisions to provide general revenue sharing to ease financial pressures on the cities. During the Seventies, the Federal government began, with the adoption of the State and Local Fiscal Assistance Act of 1972, to assume a role as a source of basic financial support for the cities. The prime impetus for an expanded federal role was the tendency of federal tax structures to increase revenue at a faster rate than the expansion of federal expenditures and the resultant concern that this would produce recession.

The consequences of increased involvement by Federal and State agencies in matters of local finance, although an important response to local revenue diversification needs, has created several problems with respect to the delivery of public services by the cities and their finance.

First, the movement away from reliance on the real property tax as the principal mainstay of the municipal budget and increased dependence on the sales tax and business and personal income tax, in the case of New York City, has caused the municipal revenue structures of the individual cities to become much more sensitive to the state of local economic conditions. The diverse mixture of manufacturing, industries, and office building businesses formerly made the cities less susceptible to effects of recessions. With the decline in manufacturing activities in the cities and the overbuilding of office buildings, the recent recessions have had a particularly adverse effect on city revenues. The need by the cities to meet rising expenditures with tax increases and with reduction in expenditures served only to deepen decline in the local economy's.

Second, the increase in intergovernmental assistance has meant a vast expansion in the scope of city services. Essentially, Federal government assistance has been provided for areas that the Federal government determined had been overlooked or given too low a priority as a responsibility of local governments. The cities, themselves, found the new financial assistance attractive in reducing the burden of assuming new tasks. The Federal commitment to the cities was tenuous, the Federal government persuading the cities to deliver new services and then phasing out its financial participation in the delivery of the new service. States were encouraged by the Federal government to assist the cities in assuming new responsibilities by providing increased State financial assistance to cities adopting new programs, or by mandating that the cities participate in the various new Federal programs. The Federal government remained content to initiate new programs and responsibilities for local governments to administer and unwilling to accept full fiscal responsibility for any of these new programs. The cities were caught between the lure of federal matching funds with small investments of city resources, state mandates that cities must administer and bear a sizeable share of the cost of operating the new program, and their own enthusiasm for a greater commitment of their own resources to the program beyond the financial share specified in the federal matching requirements. For example, services that today command large shares of total appropriations, such as public assistance and health care in New York City and special education in all the Big Five Cities, were minor items in municipal budgets in 1950. Today they are major items in city budgets. Basic municipal responsibilities, such as police protection, fire protection, and sanitation have received little to no intergovernmental aid and are commanding the same or smaller shares of total appropriations.[18]

Third, the spending decisions of local governments are often made by State and Federal governments through the establishment of numerous grant programs, each subject to a multitude of mandates with respect to what the funds may be used to finance. If Federal monies are "passed" through the State to the cities, the State will often add additional regulations further circumscribing the use of the funding. A report by the New York City Temporary Commission on City Finances estimated that only 13% of all Federal funds are not earmarked for specific purposes and that over two-thirds of all Federal grant programs required State action. This, in effect, gives the cities little to no flexibility in using the funds to meet the actual needs of the individual cities.

Fourth, a problem arises when the level of government responsible for administering the delivery of a public service is not exclusively responsible for financing that service. Often payments to the level of government charged with the administration of the programs are not made by the level responsible for financing the program prior to, or concurrent with, the time when the administering agency must meet its operating expenditures. The delays in intergovernmental payments force local governments to borrow money to bridge the gap between the time costs are incurred and obligations are satisfied, and the time funding actually arrives. The delay in payments is due to the nature of the aid programs themselves. Some are reimbursable program expenditures, which require the cities to submit a claim for payment, which is audited before payment is made. With matching grant programs, the cities must make the total initial expenditure and be reimbursed the matching share. Still other assistance programs provide lump sum payments once a year, the payment not being timed to coincide with the cities fiscal years, thus forcing the cities to borrow in anticipation of the receipt of assistance payments.[19]

Finally, there has been a significant variation in the rate of growth or of contraction in intergovernmental aid from year to year. This instability in revenue sources upon which the cities are increasingly dependent make difficult effective fiscal planning and budgeting by the cities.

B. ISSUE OF THE REAL PROPERTY TAX

The real property tax has been a source of revenue for Federal, State, and local governments. Federal taxes were levied on property on several occasions prior to 1814 to meet emergencies. State taxes were levied on real property until 1928. For over 150 years, the State derived most of its revenues from such taxes. In 1928, it was decided that the real property tax should be used exclusively for local government purposes. It was thought that its sole use by local governments would encourage responsible local self-government and responsible participation in local government. Since 1928, therefore, there has been no Statewide property tax levy.[20]

The real property tax is the single largest source of revenue to local governments and to schools. It provides statewide more than seventy percent of all local taxes and more than state income and sales taxes combined. It is inadequate alone for city revenues needs today.

(1) Yield and Tax Burden

As we have seen earlier, the cities, even with permission to tax for several purposes outside their constitutional tax limits, are taxing at their limits now. Despite the growth in intergovernmental aid and the increasing importance of the sales tax as a source of revenue, rising expenditures have forced increases in the real property tax levies in the cities. Tax levies per capita have doubled in Buffalo, Yonkers, and New York City from 1967 to 1977. They have tripled in Rochester and have risen significantly in Syracuse. School taxes have been responsible for most of the increases in property taxes in three of the upstate cities - Rochester, Syracuse, and Yonkers.

As Table XXVII illustrates, per capita tax levies (total property tax levies and assessments divided by population) have risen from $100.97 per capita in 1967 to $219.90 per capita in 1977 in Buffalo. Rochester's total levy rose by $223.01 in this decade, from $128.27 in 1967 to $351.28 in 1977. Syracuse, among these cities, realized the lowest increase in such taxes, its per capita levy rising from $116.46 in 1967 to $187.30 in 1977. Yonkers' total tax levies increased from $163.43 in 1967 to $330.51 in 1977. New York City experienced a similar doubling of its tax levy, an increase from $202.13 to $456.43 by 1977.

Among the cities, Rochester imposed the greatest "tax burden," levying $122.64 per $1,000 of assessed valuation in 1977, followed by New York City and Buffalo at $87.95 and $87.03 respectively; $86.92 in Yonkers; and $73.56 in Syracuse. There was greater uniformity between these cities in the tax burdens imposed in 1967 and a significantly greater diversity among these cities in tax burdens imposed in 1977. In 1967, the total tax levy per $1,000 assessed valuation ranged from $49.26 in Yonkers to $60.63 in Syracuse. By 1977, the total tax levy per $1,000 assessed valuation ranged from a high of $122.64 in Rochester to a low of $73.56 in Syracuse.

TABEL XXVII

TRENDS IN REAL PROPERTY TAXATION: Fiscal Years 1967 and 1977

Big Five Cities of New York State [1]

	Buffalo	Rochester	Syracuse	Yonkers	New York
Total Tax Levy Per Capita					
1967	$ 100.97	$ 128.27	$ 116.46	$ 163.43	$ 202.13
1977	219.90	351.28	187.30	330.51	456.43
+/-	+118.93	+223.01	+70.84	+167.08	+254.30
Total Tax Levy Per $1,000 Assessed Valuation					
1967	52.15	57.95	60.63	49.26	49.57
1977	87.03	122.64	73.56	86.92	87.95
+/-	+34.88	+64.69	+12.93	+37.66	+38.38
School Tax Levy					
1967	33.74	28.87	27.21	22.78	22.70 [2]
1977	40.89	67.15	59.06	60.48	41.25
+/-	+7.15	+38.28	+31.85	+37.70	+18.55
City Tax Levy					
1967	18.41	29.08	33.42	26.48	26.87
1977	46.14	55.49	14.50	26.44	46.70
+/-	+27.73	+26.41	-18.92	-.04	+19.83

[1] City Tax Limits, Bureau of Municipal Research and Statistics, New York State Department of Audit and Control, Albany, New York.

[2] Calculated on Assessment roll for General City Purposes

(2) General Criticisms of the Tax

The tax is highly unpopular with the general public. A study by the United States Advisory Commission on Intergovernmental Relations related several reasons for its unpopularity: "(1) no other major tax in our public finance system bears down so harshly on households in general or is so capriciously related to ability to pay; (2) the growing height of the property tax has become a serious threat to homeowners; (3) homeowners cite the fact that the tax may be levied on any increase in the value of the home over the original purchase price, even though that increase is only on paper and not in the homeowner's hands unless he sells the house."[21]

Another study by the National Commission on Urban Problems summarized the major defects inherent in the property tax as follows: "(1) its adverse effect on central city housing stock; (2) the difficulty in uniformly assessing business property; (3) the horizontal inequity of housing taxes within income classes; (4) the regressivity of housing taxes among tenants and homeowners; and (5) the lack of neutrality among types of economic activity, particularly in connection with taxes on transportation and public utility property."[22]

In a report presented as the concensus of the National League of Cities, the United States Conference of Mayors, the National Association of Counties, the Council of State Governments, and the National Governors Conference, the effect of the property tax upon central city governments was summarized: "Cities are forced to subsidize obsolescense, blight, decay, slum formation and sprawl by undertaxation, at the same time they must penalize improvements by taxing them more heavily."[23]

As the New York State Temporary State Commission on the Constitutional Convention of 1967 wisely noted, it should be remembered that the real property tax is a dependable source of revenue which encourages participation in local government and supports local responsibility. Some local contribution to the total financing of local governments must be maintained. The alternative is loss of home rule, local government becoming administrative agencies for the State and Federal governments.

(3) The Problem of Real Property Tax Exemptions

The power of the New York State Legislature to exempt property from locally imposed real property taxes is inherent in its power to tax. However, the New York State Constitution limits the power of the Legislature to grant exemptions. Article III, Section 17, of the Constitution prohibits the granting of exemptions by private or local bills granting to any person, association, firm or corporation, an exemption from taxation on real property. Article XVI, Section 1, specifies that the Legislature may grant exemptions and may alter or repeal exemptions from taxation, except on those properties used exclusively for religious, educational or charitable purposes as defined by law and owned by any corporation or association organized or conducted exclusively for one or more of such purposes and not operating for profit. Article XVIII, Section 2 permits the Legislature to authorize tax exemptions for low rent housing and slum clearance and rehabilitation for a period of no more than sixty years.

Public property over which the State can exercise no control and which is exempt from taxation because of sovereign immunity include property owned by the United States Government, foreign governments, the United Nations, and land occupied by Indians. Public property, exempt from taxation at the Legislature's discretion, are lands owned by the State or its public authorities and local governments or their authorities, school districts and Boards of Cooperative Educational Services, special districts, industrial agencies, publicly-assisted housing and limited profit nursing homes. Private property, exempt at the Legislature's discretion, include classes of institutions which perform a public benefit or quasi-public service and classes of individuals, groups or corporations, such as veterans, senior citizens, specific non-profit corporations and associations, institutes of arts and sciences, opera houses, performing arts buildings, agricultural societies, pharmaceutical societies, zoos and museums.[24]

The proliferation of tax exemptions for a multiplicity of purposes has resulted in the erosion of the real property tax base of all municipalities to an alarming extent. To the individual cities under study, property exempt from taxation constituted a large proportion of total assessed properties in 1977: Buffalo, 41.8%; Rochester, 29.0%; Syracuse, 40.9%; Yonkers, 35.7%; and New York City, 39.4%. In but five years, exempt property grew faster than the assessed valuation of taxable property, which suggests continued and increasingly severe erosion of the tax bases of the cities. For example, in Buffalo, even while growth in taxable property declined 2.4%, exempt property grew by 4.2% from 1973 to 1977. This trend is the same in all the other cities. While taxable property in Rochester grew 1.5% exempt property grew by 4.1%. In Syracuse, taxable property grew 3.4%, while exempt properties increased by 7.6%. Yonkers experienced a 3.1% growth in taxable property and sustained a 5.6% growth in exempt properties. New York City's taxable property increased 2.5%, while it incurred a 4.2% increase in exempt property. The rate of increase in tax exempt properties from 1973 to 1977 gives greater cause for concern: Buffalo, 14.5%; Rochester, 25.7%; Syracuse, 42.7%; Yonkers, 25.0%; and New York City, 22.3%. (Table XXVIII).

Tax exempt properties have become a serious fiscal liability to the cities. The exemption of land from taxation has created an effective strangulation of land use. Property, which could have contributed substantially to the municipal tax base, has been effectively removed from future development by private enterprise. All sources for community expansion and land upon which new industries could be built have been lost. New demands on the city tax bases are created by such properties because local governments must continue to provide urban services to such properties. The cost of the tax shift to individual taxpayers, non-exempt taypayers assuming the cost of taxes previously paid by the now exempt properties, is becoming increasingly difficult to bear.[25]

There is no evidence to demonstrate that the growth in tax exemptions is self-limiting. On the contrary, several factors encourage further growth in exemptions. First, individual exemptions are expected to accelerate. Tax levies will continue to rise unless there is an infusion of new taxable value, such as new industries. As tax rates continue to climb, individuals who are eligible for exemptions will increasingly be driven to claim them and local legislative bodies will be pressured to enact existing optional or permissive exemptions for individuals. Second, the size of an exempt class of persons may grow within a city because of changes in the composition of the population of the city. For example, in an earlier chapter we have seen the growing proportion of persons over age 65 choosing to move into the cities. Third, there is no assurance that the Legislature will refrain from enacting new classes of exemption.[25]

TABLE XXVIII

TRENDS IN PROPERTY TAX EXEMPTIONS: Fiscal Years 1973 and 1977

$ (Millions)

	Buffalo	Rochester	Syracuse	Yonkers	New York
Exempt Property 1972-73	$ 585.3	246.6	226.0	209.2	20,606.5
Percent of Exempt Property	37.6 %	24.9	33.3	30.1	35.2
Exempt Property 1976-77	$ 670.4	310.0	322.6	261.4	25,208.0
Percent of Exempt Property 1976-77	41.8 %	29.0	40.9	35.7	39.4
Growth of Exempt Property 1973-77	4.2 %	4.1	7.6	5.6	4.2
Growth in Taxable Propert 1973-77 Increase/(Decrease)	(2.4) %	1.5	3.4	3.1	2.5
Rate of Increase in Exempt Property 1973-77	14.5 %	25.7	42.7	25.0	22.3

Note: Assessments on exempt properties generally are not related to the same standards of full value that are used in assessing taxable property. Also local jurisdictions do not review the assessed valuations of exempt property once it has been exempted. Therefore, these figures should be understood as an approximate idea of the value and growth in tax exempt properties in the cities.

In 1971, the State Legislature, cognizant of the effect of tax exemptions, enacted Chapter 417, Laws of 1971. Chapter 417 permits municipalities to levy service charges on certain publicly owned and privately owned tax exempt properties for the following municipal services: police and fire protection; street and highway construction, maintenance and lighting; sanitation; and water supply. All exempt properties, other than such properties used exclusively for charitable, hospital, religious, educational or cemetery purposes, are subject to the proposed service charge. By excluding the above properties from the effect of this law, Chapter 417 fails to reach the bulk of exempt privately owned real property. The effective date of this law has been postponed each year since its enactment.[26] The New York State Temporary State Commission on State and Local Finances, in its 1975 report, cited several reasons for postponement of the service charge law: (1) there is no statutory provision for State approval of local assessment of state lands chargeable under the law, thus opening the State to limitless liability; (2) there is no restriction on the range of state properties potentially affected by this law; (3) the law is devoid of any guidelines or procedural requirements for implementation of the assessment, review, levy, payment and collection of the service charge law; (4) no consideration has been given to the question of whether monies received pursuant to the service charge law should affect the computations for state aid and for constitutional tax and debt limits; (5) the law is devoid of any direction to municipal governments to include estimated service charge revenues in a computation of the municipal tax rate; (6) the potential fiscal impact upon the State, as estimated by the New York State Division of the Budget, would have been from $60 to $140 million in 1972; (7) the fiscal impact on the counties would be significant because county-owned properties would be subject to service charges by cities, towns and villages.[27]

In the 1978 Legislative session, the Governor has recommended repeal of Chapter 417, Laws of 1971. No substitute bill has been offered.

4. Hellerstein v. Assessor of Town of Islip

Article XVI, Section 2, of the New York State Constitution provides that assessments shall in no case exceed full value and provides that the New York State Legislature shall be responsible for the supervision, review, and equalization of assessments for the purposes of taxation. Section 306 of the State Real Property Tax Law provides that all real property in each assessing unit shall be assessed at the full value thereof.

It has been the common practice of New York Assessors, in their respective local governmental jurisdictions, to assess different types or classes of real property on a fractional basis of full value for over two hundred years. As studies by the New York State Board of Equalization and Assessment have illustrated, this has meant that commercial, industrial, and utility properties, as well as apartments operated as businesses and other "income producing" properties, have been assessed at higher ratios of full value than one and two family residences.[28] According to the 1972 United States Census of Governments, it has been estimated that, in New York State, single family homes have been assessed at 25.8% of full value, while "income producing" properties have been assessed at 49.4% of full value. In other states, there appears to be a growing trend to specifically authorize fractional assessments. In those states where full value is required, that standard has been universally ignored. Some reasons for the growth of this practice of fractional assessments are: (1) the ability to maintain a stable tax rate and to increase revenues by tampering with the tax base is a politically desirable position to achieve; (2) another inducement for undervaluation is that State financial assistance is based primarily on assessed valuation; and (3) counties, in pursuit of economic development and greater State aid, compete with each other to approach a limit of nominal valuation.[29]

In 1975, in the case of Hellerstein v. Assessor of Town of Islip (354 N.Y.S. 2nd 602, 371 N.Y.S. 2nd 388), taxpayers brought suit against the town assessor requesting that, in view of the express provisions of Section 306 of the State Real Property Tax Law, all assessments in the township should be declared invalid because all such assessments were based on a percentage of full or market value. It had previously been held that full value means market value (People ex rel. Parklin Operating Corp. v. Miller, 287 NY 126). Earlier cases had upheld the use of a percentage of market value because such a standard assured equality and uniformity of assessments, even if the legal mandate of full value in Section 306 was not being observed. The New York State Court of Appeals held that fractional assessments are not authorized by State statute; State statute expressly provides for assessment at full value. The town was ordered to make future assessments at full value. The court reasoned that: (1) fractional assessments are an obvious violation of equal protection; (2) the common practice of assessors in disregarding the express statutory provisions of state law is nothing more than a violation of law, which, no matter how persistent, widespread and uncorrected, cannot alter the express meaning of the statute; (3) the effect of such a ruling need not affect taxpayers adversely because systematic undervaluation of property diminishes the tax base and forces the tax rate to rise in order to supply required governmental revenues; and (4) such generally known disregard by local officials of the law can not be sanctioned by the Court.

Since this landmark decision by the New York State Court of Appeals, more than fifty suits, brought by property owners, have been filed throughout the state and several municipalities have been ordered to comply with the Hellerstein decision.[30] It has been estimated that assessment at full value will mean an increase in the tax burden for one family homes at a minimum of twenty percent and a reduction in taxation of business or "income producing" properties of fifty-eight percent. The decision means that every property statewide will have to be reassessed and that the share of tax liability borne by different owners of property in each jurisdiction would be shifted. Owners of older homes, assessed at lower than average percentages, clearly would be hurt. Numerous suits have since been filed by business corporations and other owners of "income producing" properties challenging the illegality and inequality of their assessments, in accord with the kind of evidence required for such a determination as outlined in Guth Realty, Inc. v. Gingold (358 N.Y.S. 2nd 367). The City of New York is currently engaged in one such challenge by Consolidated Edison of New York, Inc. An adverse decision in this case, the City estimates, might result in a tax loss to the City exceeding $6 million per year and the payment to Con Edison of a refund of approximately $19 million in past years excessive taxation.

During the 1976 Legislative Session, the New York State Legislature received innumerous petitions from homeowners urging the State Legislature to declare a moratorium on reassessment to comply with the Hellerstein decision. Such petitions cited the need to prevent an excessive shifting of the property tax burden away from business and commercial property to homeowners. A bill to accomplish this purpose passed the Assembly on a message of necessity from the Governor. It died in a Senate Committee as a highly discriminatory measure against commercial, industrial and utility properties.

In 1977, the New York State Legislature again addressed the need to develop a sound and meaningful program for improving the administration of real property assessment, taxation, and a policy toward tax exemptions. Three bills were enacted into law. Chapter 888, Laws of 1977, declared a moratorium on reassessment by establishing a time frame for the completion of reevaluation of all property statewide by the respective assessing jurisdictions. To implement the directive of Hellerstein, such reevaluation need not be completed until December 31, 1980. Chapter 887, Laws of 1977, addressed the problem of the cost of statewide reevaluation of all properties. It authorized a program of State assistance of $10 per parcel for the establishment of a sound system for real property tax administration by localities. The remainder of the cost of establishing a computer assisted system for the preparation and maintenance of assessment and tax rolls will be borne by the taxpayers of the individual local governments. Finally, Chapter 889, Laws of 1977, created a New York State Temporary State Commission on the Real Property Tax. Such commission is charged to conduct a study on the impact of implementing full value assessment upon the relative tax burdens borne by the various classes of taxpayers, and methods to achieve more equitable assessment burdens, including standards other than full valuation and/or the use of the circuit breaker method of achieving equity. A thorough study on real property tax exemptions, including their impact, effectiveness, and the desirability of modifying, limiting or eliminating some existing exemptions will be instituted. The report of such Commission to the New York State Legislature and the Governor is expected by December 31, 1978.

C. Annual Financial Pressures: Budget Instability

When the city fathers sit down to plan next year's budget, they must first project the revenue yields of existing taxes.

> "For the general property tax, the mainstay of city budgets, that means, chiefly, examining the assessment rolls to see how much new building has taken place. If there is also a sales tax on the books, national and local trends in consumer spending must be evaluated... If the total of these projections promises to be insuffícent to pay for desired and mandated expenditures, then a choice must be made between raising the rate levied against existing tax bases or levying against new ones"

or[31] pursuing alternative revenue sources. In accord with sound budget practices, every attempt is made to erase deficit producers.

A budget is put together in the context of the current needs of the city and awareness of cost constraints that will predictably emerge in future years to command a higher proportionate share of the budget. For example, a city budget may note increasing vandalism; the better utilization of police manpower by hiring more civilians and placing more police on the streets in high crime areas or high crime times; concern that there is increasing crime despite increased policemen and decreasing population; increasing frequency of breakdowns in water system; debt service becoming a higher proportion of the budget; rapid increases in pension contribution costs which, in the future, will increase fantastically; concern about federal and state mandates for new services; cost increases due to employee demands for high wages and benefits, although the amount of the contract award has not been resolved; cost increases in utility bills, fuel, medical insurance premiums, electricity, and the selling of municipal securities; the need to repair the streets; the need to buy equipment to collect garbage and sweep the streets; and concern that delinquent real property taxes are increasing in amount each year. The list could continue ad infinitum. The point is the budget that emerges as the officially adopted budget is a combination of problems, observations, solutions, frustrations, and stated needs. It is a document which presents the best estimates of future costs and revenues to meet them based on available information. It is a document subject to changing conditions.

This section will deal with various revenue deficit producers, which State legislation may assist in minimizing for the cities.

(1) The Railroads and State Aid

In the Fifties, the railroads began to slip into economic decline. In order to partially relieve financial pressures on this economically depressed industry, the New York State Legislature granted assistance to the railroads in the form of a partial exemption from real property taxes by passage of Chapters 636-641, Laws of 1959. Because the authorized exemption necessarily reduced the local real property tax base, a State aid program guaranteed that fifty percent of the local tax loss, would be paid by the State to the affected municipalities.[32] The formula, under which the exemption for the railroads was calculated, in effect, established a ceiling on the maximum assessed valuation of the railroad property keyed to the earnings of the railroads. As the railroads continued in decline in subsequent years, the earnings of the railroads and thus the ceilings established, continued to decline, thus gradually reducing State assistance to the affected municipalities.

Between March 12, 1970, and June 26, 1972, five major railroads operating in New York State filed petitions of bankruptcy in Federal Bankruptcy Courts. The effect was immediate and significant. The bankruptcy proceedings meant that the bankrupt railroads need make no real property tax payments under judicial protection. The cities, as guarantors of uncollected taxes for the counties, were required to pay to the counties the amount of taxes due from the railroad companies. The local governments could not enforce a lien for taxes against the bankrupt railroads. Since the declared bankrupties, federal legislation has been passed which established the United States Railway Association and which provided a mechanism for railroad reorganization. The cities do not expect substantial recovery of back taxes when the bankruptcy proceedings are concluded.

Chapter 920, Laws of 1977, was enacted in view of the new railroad organizations created under federal legislation. Chapter 920 provided a new way for the state to assess railroad property because it was felt that local governments were overassessing these properties. This was deemed necessary to accord the newly reorganized railroads fair assessments and taxation. Although the initial version of the bill recommended that the State railroad aid program for municipalities be terminated, the bill that became law held harmless all municipalities at their previous years level of assistance.

Chapter 920 is effective for one year and thus, during the 1978 State Legislative Session, this issue will be reconsidered.

2. Real Property Tax Delinquencies

Real property tax delinquencies have been growing at a rapid rate in recent years, at a much greater rate than they did during the Depression in the Thirties. A 1936 report by the Buffalo Municipal Research Bureau stated that, throughout the Depression years from 1931 to 1936, real property tax delinquencies in Buffalo ranged from a high of 5.6% to a low of 1.8%. The average rate of such delinquencies throughout these years was 3.8%.

In Buffalo, from 1975 to 1976, tax delinquencies grew from $15.4 million to $17.5 million, an increase of 13.6%. In Rochester, delinquencies remained at their 1975 high level, increasing at a rate of 39.9%. Syracuse reported a similarly high increase in delinquencies, a rise from $2.4 million in 1975 to $3.4 million in 1976, or an increase of 37.9%. After experiencing significant increases in 1974 and 1975, Yonkers reported an increase of but 3.5% for 1976. In New York City, tax delinquencies grew from $207.3 million in 1975 to $242.6 million in 1976, or an increase of 17.0% from 1975 to 1976. (Table XXIX).

To assure prompt payment of real estate taxes, the cities have imposed rather severe interest rates on delinquent taxpayers. In New York City, for property with vacant or unimproved land or on which the annual tax levy is $2000, the interest rate is 15% per annum and, for other properties, the rate is 7% per annum. In 1976, Buffalo increased its tax penalties from an effective rate of 8% per annum to 14% per annum. In 1977, Yonkers increased its tax rate from 8% per annum to 12% per annum. Syracuse and Rochester impose a tax penalty of 8% per annum.

Other methods, other than high interest rates, are employed by the cities to secure payment. Buffalo and Yonkers, after one year in arrears, sell tax sale or tax lien certificates on delinquent properties, giving the purchaser of such certificate a superior claim to the property. Both cities have found few purchasers for such certificates, leaving the respective cities as the holder of the lien upon the property. Foreclosure proceedings are generally instituted against the delinquent properties after two or three years. In the past, Yonkers preferred not to institute such proceedings, but has recently begun to institute foreclosure actions. Buffalo has consistently moved, after two years in arrears, into foreclosure or conveyance to the holder of the tax lien certificate. The City now proposes to seek personal judgments against the delinquent property owner and has recently announced that it will be seeking such judgments. New York City, until recently, permitted a three year lapse in payment of taxes. It has recently secured authorization from the New York State Legislature to continue to extend the three year grace period only to one and two family homes and condominium apartments which are owner-occupied and on which the annual tax bill is not more than $2,000. Foreclosure proceedings on multiple dwellings and on all other properties is now permitted after one year.

Because an increase in tax delinquencies in specific areas of a city is an indication that that area of the city is beginning to decline, rapid action to secure payment of taxes on an annual basis or the ability to take title to the delinquent property earlier than the three year in rem foreclosure period is felt necessary by the cities. Now, by the time the upstate cities are able to assume title, the properties have often reached such advanced states of disrepair that they have to be demolished. If the upstate cities could take title to one and two family residences, as well as multiple dwellings, in one year, such residences could be made available to persons who would agree to rehabilitate the structure within a certain time period for a minimal purchase fee. Such action could forestall further deterioration of housing stock and neighborhood decline and would quickly return properties to tax paying status.

This is an issue which may be addressed during the 1978 New York State Legislative Session.

TABLE XXIX

TRENDS IN REAL PROPERTY TAX DELINQUENCIES: Fiscal Years 1973-1976

[1] Big Five Cities of New York State

$ (Millions)

	Buffalo	Rochester	Syracuse	Yonkers	New York
1973	$ 11,761,365	4,010,060	2,152,840	1,369,987	122,000,000
1974	$ 13,581,240	4,616,197	1,972,241	2,049,421	148,600,000
Percent Increase 1973-1974	+15.5%	+15.1	-5.0	+49.6	+21.8
1975	$ 15,405,622	6,459,252	2,459,919	2,391,496	207,300,000
Percent Increase 1974-1975	+13.4%	+39.9	+24.7	+16.7	+39.5
1976	$ 17,507,995	6,458,743	3,392,666	4,474,802 [2]	242,600,000
Percent Increase 1975-1976	+13.6%	0	+37.9	+3.5 [2]	+17.0
Percent Increase/Decrease 1973-1976	+48.9%	+61.1	+57.6	+80.6	+98.9

[1] Official Bond Statement Prospectus for respective Cities: Buffalo (March 1977); Rochester (March 1977); Syracuse (November 1976); Yonkers (September 1976); New York City (May 1977).

[2] In Fiscal Year 1976, Yonkers changed its procedure for the collection of county taxes by billing the entire county tax in one payment due in the month of April, rather than two installments due in April and September. This modification increased the delinquent taxes receivable at June 30, 1976 by the unpaid 1976 county taxes, and resulted in a substantial increase of approximately $ 2,000,000 in the provision for reserve for uncollected taxes for the 1976 fiscal year. To calculate the percent increase, $ 2,000,000 was deducted from the 1976 amount of tax delinquencies.

3. Housing Authority Deficits

Because vast sums of money required to combat this urban problem would strain both the private market for housing obligations and the tax and debt capacity of any single government, special public corporations have had to be created to combine tax advantages and security of government obligations. Municipal Housing Authorities were created by the New York State Legislature, at the request of the respective municipalities, to provide safe and sanitary housing for low and middle income persons. Vast sums of State and Federal subsidies and loans, together with local matching grants, have been committed to this endeavor.

Article XVIII of the New York State Constitution authorized local governments to create housing authorities or to undertake a public housing program of their own. The housing authorities have established a balance of fiscal autonomy and local influence which is not subject to municipal control as would be the case with a department of city government. On the other hand, they are not as independent as public authorities, the membership of the governing body of the housing authority being appointed by the chief executive officer of the municipality and proposed housing projects being subject to the approval of the city councils of the respective municipalities.

Housing authorities have been granted substantial powers in the establishment of rental rates and tenant selection under Section 154 of the State Public Housing Law. Such rates are, however, subject to the approval of the New York State Division of Housing and Community Renewal. Section 39 of such law provides that housing authorities do not have to use surplus income to subsidize lower rentals. Instead, they are permitted to invest their reserves, sinking funds, and surplus funds in any investments which can be legally made in savings banks.

The cities may receive revenue from housing authority projects through restrictions on tax exemptions granted such authorities in the form of authorization to receive payments in lieu of taxes from the authorities. Section 52 of the State Public Housing Law provides that the size of such payments may not exceed the tax last levied upon the property included in a housing project prior to its acquisition by the authority. Chapter 637, Laws of 1975, amended

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Section 52 to provide that a change in the overall level of assessment of all properties on the assessment rolls of the assessing unit should be reflected in the computation of the in lieu of tax payments to municipalities provided, however, that in no event may the property involved be assessed at an amount in excess of the actual cost of the project. Section 73 of the State Public Housing Law provides for the provision of state subsidies to housing authorities, the subsidy to be based on the largest annual interest charge on debt incurred for financing and development when the project was initially constructed. The intent, in establishing such housing subsidies, was to assure continuance of low rent in the various housing projects. The subsidy and rental income was initially expected to cover both operating and modernization costs for the projects.

Several housing projects in the cities were completed more than twenty-five years ago. Operating costs of the housing projects have, in the intervening years, escalated. High vacancy rates and substantial destruction in the projects have further contributed to large operating deficits. The cities are responsible for these deficits. The deficits have been increasing annually in all the cities since 1970. In addition, it has become increasingly clear that extensive rehabilitation must be accomplished to make existing housing projects attractive to future tenants.

The cities request a review of subsidy agreements and a revision in the formula upon which they are based. In the alternative, they suggest state absorption of the deficits produced by the authorities and/or a state program to assist with modernization costs of these structures.

This is an issue which may be addressed in the 1978 New York State Legislative Session.

(4) Cash Flow

Expenditures flow consistently, at an even pace, over the twelve month period of a fiscal year. Revenues are received on an irregular basis, which results in cash shortages at particular points during a city fiscal year.

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Revenues from the real property tax, which comprise roughly 30% of the combined city and school budget, are payable quarterly or semi-annually. Over three quarters of State and Federal revenues are not received until the months of April, May and June in one fiscal year. The increasing importance of State and Federal aid in city budgets, representing approximately 30% of the city budgets, tends to exaggerate cash shortages.

As a result of these cash shortages, the cities have resorted to cash flow borrowing, relying upon tax anticipation notes in anticipation of future receipt of real property tax revenues or upon revenue anticipation notes until budgeted State and Federal revenues are received in June. The proceeds of these notes temporarily fund consistent expenditure requirements during the year.

The cities contend that short term cash flow borrowing is expensive because of the short term interest costs such notes entail in their financing.

One of the prime deficit producers for the cities is the requirement that the annual payment for pension funding be made by the cities each year in June, prior to the receipt of sufficient revenues to pay this charge. In fact, the annual pension payment to the New York State Retirement System is due, and required to be paid when due by the Retirement System, ten days before the receipt of State revenue sharing by the cities.

The New York State Comptroller has recently noted the impracticality of heavy state borrowing solely during the months of April, May and June, and intimated that a study of alternative financing practices was currently underway in the Department of Audit and Control.

A more regular flow of State aid would be of great assistance to the cities. More timely receipt of State aid, perhaps on a quarterly basis, or permission to make the annual pension payment after receipt of State revenue sharing in June, would aid the cities. The question, however, is but a small part of a much larger issue, that of fiscal planning and reporting on the fiscal operations of the State, its present use of cash basis, and the advisability of the adoption of the discipline of an accrual accounting system.

(5) Uncertainty of State Aid

State revenue sharing, also known as per capita aid, by which local governments are primarily assisted by the State, was enacted in 1947. The program was designed to achieve the important goals of tax relief, fiscal stabilization, and equalization at the local level, based on need, capacity and effort. One half of the funds are allocated only to the cities as Special City Aid. In addition, the cities receive the largest share per person from the other half of the income tax receipts distributed to all units through the "per capita aid" formula.

The funds, which are not subject to any substantial restriction as to their use, provide the cities and general purpose local governments with a proportionate share of eighteen percent of the yield of the state income tax collections during each fiscal year. In general, this revenue to the cities has been a moderate growth revenue. It has not been as productive as anticipated because of the decline in population in the cities and the modest to no growth in assessed valuation of real property, two factors upon which the formula for distribution of the funds are premised.

In 1970, when the per capita aid portion of the program was enacted by the New York State Legislature, the initial enactment provided for a total of twenty-one percent of personal income tax collections. In 1971, before the first appropriation as authorized was made, the percent to be allocated to local governments was reduced to eighteen percent in the Governor's Budget.

In the 1977 State Legislative Session, it was proposed by the Governor, in the State Budget Message, to further reduce the State's commitment to local governments by freezing the base for personal income tax collections at the State fiscal year commencing April 1, 1975, rather than the fiscal year preceding the current year. This proposal effectively deleted the natural growth factor of the formula. It was adopted by the State Legislature, the base year frozen at the 1976 fiscal year level. In addition, the receipt of State aid was made contingent upon receipt of Federal aid.

Because all the cities are at their constitutional tax limits, and by law, are prohibited from levying real property taxes above this limit on pain of a loss of equivalent state aid, the proposed revenue losses meant immediate service reductions in the cities. Each year, through the State budget process, proposals jeopardizing the revenue sharing program are made. The changes adopted by the State are a major factor in the instability of city budgets because the loss of anticipated revenues, already incorporated in current authorization levels in city budgets, result in revenue shortfalls for the cities. Such shortfalls require service reductions.

Long a source of friction between local governments and the State, the cities seek the assurance and firm commitment by the State of a stable annual appropriation with the natural growth factor restored at the level of support originally proposed in 1970.

(6) Municipal Overburden Legislative Impasse

In 1975, the New York State Legislature provided special State financial assistance to the cities of Buffalo, Rochester, Syracuse, and Yonkers. The assistance was offered because of the substantial financial burdens borne by these cities. Of particular concern was recognition by the State Legislature that these cities are constitutionally restricted to a two percent tax limit from which educational costs, as well as municipal service expenditures, must be met, unlike the smaller cities where the school districts have separate taxing powers, and unlike New York City which has a higher tax limit of 2.5 percent. Practically, these four cities were approaching their maximum taxing power and contained a large number of tax exempt institutions within their respective jurisdictions.

With the enactment of Chapter 396, Laws of 1975, the State was authorized to appropriate the following sums to the respective cities which sums, in effect, represent taxes on exempt properties within the cities: Buffalo, $14.7; Rochester, $6.3; Syracuse, $3.5; Yonkers, $3.3; total of $28.0. This legislation was renewed in 1976 (Chapter 490, Laws of 1976). The appropriation levels for each city changed somewhat due to the formula, i.e. change in assessed valuation of real property.

In 1977, legislation to again extend assistance to these cities was introduced. One bill sought authorization to extend emergency aid for one year.

Another recommended that overburden aid be permanently established as a special program for these cities so that the cities might, in their uncertainty over whether the annual authorization would continue, be better assured of continuous receipt of these funds (even though they would still be subject to the appropriation process). If such aid were to be permanently authorized, the cities would no longer need to exclude such funding from anticipated revenues in their budget process. Nor would the cities need to devote their use to non-recurring expenditures which could be cancelled if no aid was forthcoming.

With welfare costs skyrocketing in the counties of the State, the counties turned to the State for assistance in meeting their inordinately high tax burdens. In 1977, the New York State Assembly passed a measure which would have temporarily continued overburden assistance to the four upstate cities and added special provisions for the inclusion of the City of Albany, where the assessed value of exempt property exceeds that of taxable property. The New York State Senate offered several measures on the overburden question, passing bills which, with differing formulas and effects, provided overburden assistance to the cities and the counties. As the Session concluded, no resolution was reached on the overburden issue.

The cities were caught in this Legislative impasse in various postures. Both Buffalo and Rochester had presumed continuance of overburden funding and had included such sums in their anticipated revenues, proposing to expend such sums to meet some salary and fringe benefit requirements of the cities. In Yonkers, the City wished to use the funding to meet education salary increases mandated by a State Public Employees Relations Board decision. The City was prohibited from expending such amounts in anticipation of the receipt of overburden funding by its Emergency Financial Control Board. The Board ruled that the terms of the teachers award could be met only upon actual receipt of overburden funds. In Yonkers, the teachers are working without salary increases, pending resolution of the issue by the State Legislature.

At this writing, S.7002 passed the New York State Senate February 13, 1978. This bill provides financial assistance to the original four upstate cities, makes special provision for the City of Albany, includes state aid for New York City, and for county assistance.

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(7) Inequity and Adequacy of State Aid

Numerous studies have been made in an effort to devise ways and means to achieve greater equity in State financial assistance to its local governments. The most recent comprehensive study was conducted by the New York State Temporary State Commission on State-Local Finances in 1975. The recommendations of this Commission were thoroughly studied by the New York State Legislature. While commending the academic credence of the recommendations made by the Commission and the excellence of the report, the Legislature decided not to adopt its proposed course of action because of severe budget constraints and the adverse impact such action would have upon the cities.

With respect to the question of adequacy of State aid, the New York State Conference of Mayors and Municipal Officials compared State aid received by the individual Big Five Cities from the State Revenue Sharing Program and from other special State aid programs, such as programs for youth, recreation, the elderly, urban renewal, health and highways, for the years 1971 to 1975. Two very distinct patterns emerged.

First, with respect to the significance of State revenue sharing aid to the City of New York, such aid in 1975 represented 14.9% of the total State aid it received. However, for the upstate cities, revenue sharing meant the vast proportion of all aid received from the State, or 84.9% of all State aid. Second, when the amount of such aid is divided by the populations in these cities, New York City receives a greater amount of aid on a per capita basis than the upstate cities by operation of the revenue sharing aid formula. For example, in 1975 New York City received $51.25 per capita in revenue sharing, while the upstate cities received $49.29 per capita. Third, while New York City's revenue sharing aid increased 48.4% from 1972 to 1975, such aid grew by 58.3% for the upstate cities. Fourth, for all the cities, the steady growth of such aid is clearly presented with revenues to the cities increasing each fiscal year. Fifth, when special State aid programs are considered, New York City clearly is able to take advantage of vast sums available through State programs. For example, in 1975, $293.61 per capita was gleaned by New York City from such programs. In contrast, the upstate cities were able to draw only $9.36 per capita from such programs. (Table XXX).

It must be remembered that New York City bears responsibility for three services not provided by the upstate cities - welfare, health and hospitals, and higher education. This explains, in large part, the high special program aid received by New York City. It should be noted also that the concern expressed by upstate city officials, with respect to changes in the revenue sharing program, is clearly premised on the significance of this major aid program to the cities.

TABLE XXX

COMPARISON OF STATE REVENUE SHARING AND SPECIAL STATE AID RECEIVED BY THE BIG FIVE CITIES: Fiscal Years 1972-1975

City & Year	State Revenue Sharing Aid		Special State Aid	
	Millions $	Per Capita $	Millions $	Per Capita $
Buffalo				
1972	15.6	31.77	4.0	8.66
1973	19.0	41.12	2.5	5.41
1974	20.7	44.80	1.7	3.68
1975	23.2	50.22	2.3	4.98
Rochester				
1972	7.4	25.00	1.1	3.72
1973	11.7	39.53	.8	2.70
1974	12.8	43.24	3.3	11.15
1975	14.4	48.65	4.2	14.19
Syracuse				
1972	6.6	33.50	.4	2.03
1973	8.0	40.61	.7	3.55
1974	8.7	44.16	.6	3.04
1975	9.8	49.75	.8	4.06
Yonkers				
1972	6.6	32.35	.6	2.94
1973	8.1	39.70	.8	3.92
1974	8.8	43.14	.6	2.94
1975	9.9	48.53	2.9	14.21
New York City				
1972	272.6	34.53	1,170.0	148.21
1973	331.8	42.03	1,073.4	135.98
1974	360.9	45.72	1,194.5	151.32
1975	404.6	51.25	2,317.8	293.61

Sources: Bureau of Municipal Research and Statistics, New York State Department of Audit and Control, Albany, New York.

D. ISSUE OF HOUSING STOCK RESTRUCTURING

(1) Housing Construction and Rehabilitation

In general, there has been a slowdown in construction of new housing, both public and private. This has been acutely felt in the cities. (Table XXXI). This has been caused by several factors. (1) The New York State Urban Development Corporation, which had financed innumerable public housing projects for low and middle income persons, faced default in 1975. Its successor in housing construction, the New York State Housing Finance Agency and its subsidiary agencies have, as of this writing, been unable to return to the bond market. This, effectively, precludes the State from financing further construction of projects. (2) The emphasis of the Federal government has changed from the acquisition of land for new housing projects, toward the provision of Section 8 rent subsidies, having frozen Section 236 monies by impoundment during the Nixon Administration and by refusal to fund this program in subsequent administrations. The high land acquisition costs in the cities, commanded by land speculators, had encouraged suburban sprawl, resulted in overbuilding in the suburbs, and caused the spread of blight in the cities. (3) The impact of recession and inflation effectively discouraged new private construction and public opposition to further construction of public housing projects grew in the wake of numerous housing scandals.

The new emphasis upon rehabilitation of existing housing stock and the preservation of neighborhoods has been generated primarily by Federal enactment of the Housing and Community Development Act of 1974, as amended in 1977. This act has enabled the cities to provide grants and loans to private individuals for rehabilitation costs and for other housing assistance programs discussed earlier in this report. The State enacted the Neighborhood Preservation Companies Act of 1977 (Chapter 852, Laws of 1977), which provides operating assistance funds to companies engaged in neighborhood preservation activities. In 1976, the State sought to expand the range of lending activities of savings banks and savings and loan associations by permitting them to offer checking accounts and line of credit loans in order to increase the flow of available mortgage monies (Chapter 225, Laws of 1976) and to further stabilize the real estate investment market (Chapter 393 and Chapter 622, Laws of 1976).

It is the hope of the cities that the influx of new Federal assistance, combined with its incentive for private investment, will spur a return to the city and its attractive housing. They cite the high cost of suburban sprawl and the tax waste it engenders, which:

> "multiplies the cost of roads to reach scattered homes, multiplies the cost of water distribution, multiplies the cost of sewage collections, multiplies the cost of mass transportation, inflates the cost of police and fire protection, and doubles the cost of getting children to and from school."[32]

In order to meet the ravages of blight in the cities and the growing problems of tax delinquencies and abandonments, the cities request State assistance primarily in five areas: (1) State aid for building code enforcement; (2) permission to act rapidly in response to tax delinquent and abandoned properties; (3) permission for a lien on an owners' insurance policy to cover the cost of demolition of severely fire damaged structures; (4) restoration of a State aid program for the construction and renovation of low and middle income housing; and (5) better coordination between the county social service departments and the cities with respect to housing conditions.

(a) State Aid for Building Code Enforcement

With the Federal incentive, provided through increased finance in the Housing and Community Development Act of 1977, the upstate cities have placed greater importance upon the inspection of all housing units, one and two family homes and multiple dwellings, to insure their compliance with existing building codes.

In 1974, with the enactment of Chapter 373, New York City was granted State aid for fifty percent of the monies expended by the City for the enforcement of the multiple dwelling law and other laws, rules and regulations governing the maintenance, use, and safety of multiple dwellings. In addition, with the enactment of Chapter 815, Laws of 1965, the City was guaranteed State

TABLE XXXI

TRENDS IN CONSTRUCTION OF NEW HOUSING UNITS: Years 1968 and 1972-1977

Big Five Cities of New York State

Number of New Housing Units

City	1968[1]	1972[1]	1973[1]	1974[1]	1975[1]	1976[1]	1977[2]	Percent Increase Decrease 1968-72	Percent Increase Decrease 1972-76
Buffalo	465	994	93	148	N.A.	113	126	+113.8	-88.6
Rochester	880	2,873	682	80	174	24	27	+226.5	-99.2
Syracuse	879	1,568	1,158	461	174	69	113	+78.4	-96.0
Yonkers	N.A.	1,380	455	559	87	87	71	—	-94.0
New York City	22,062	36,061	22,417	15,743	3,810	5,434	5,351	+63.5	-84.9
New York State	80,960	111,282	79,470	51,637	32,623	33,370	—	+37.5	-70.0
United States	1,547,600	2,378,500	2,057,600	1,352,300	1,171,400	1,549,800	—	+53.7	-34.8

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[1] Annual Summary of Business Statistics, New York State 1968-1976, Bureau of Business Research, Division of Economic Research and Statistics, New York State Department of Commerce, Albany, New York. Source: New York State Executive Department, Division of Housing and Community Renewal.

[2] Number of housing units for which permits issued from January through August 1977, Bureau of Business Research, op. cit.

aid for fifty percent of the monies it expends to enforce the multiple dwelling law with respect to sanitary and health code laws, rules and regulations.

Such assistance has never been extended by the State to the upstate cities for multiple dwelling inspections. They request their inclusion in this program, and its extension to one and two family dwellings. In 1977-78, the State appropriated $8 million for use by New York City. The upstate cities estimate that their inclusion in this program would add an additional $1 million dollars to State appropriations for this program.

(b) Tax Delinquent and Abandoned Properties

In 1973, the City of New York acquired permission to initiate proceedings to vest in the city title to multiple dwellings where the owner has abandoned the building as evidenced by the non-collection of rents for three consecutive months, or by failure to provide needed services to the tenants, or where the occupancy of the dwelling is prohibited by a government agency ruling, or where the real property taxes have remained unpaid for a period of one year or more (Chapter 864, Laws of 1973). In 1976, the City of Buffalo acquired State legislative authorization to similarly proceed against multiple dwelling owners (Chapter 834, Laws of 1976).

In order to prevent and reduce vandalism and the more rapid decay of deteriorated housing, Rochester, Syracuse, and Yonkers request permission from the New York State Legislature to be included within the provisions of Article 19-B of the State Real Property Actions and Proceedings Law. They, further, request that authorization to proceed more rapidly to turn such properties over to new owners, thus preserving and preventing the decay of neighborhoods, be extended to include not only multiple dwellings, but also one and two family dwellings.

The ability to act quickly by these cities will return tax delinquent properties to the tax rolls rapidly, increase available housing within the cities, permit successful rehabilitation of properties at a feasible cost to the new owner, enhance the ability of the city to sell such foreclosed properties through auction, and impede the need for the city to demolish badly deteriorated structures.

(c) Lien for Demolition Costs on Severely Fire Damaged Structures.

In 1977, the New York State Legislature passed Chapter 738 and 739, which permitted municipalities to place a lien on the proceeds of fire insurance policies to pay the costs incurred by the owners for unpaid real property taxes, unpaid assessments and charges. The purpose in passage of this legislation was to take the profit out of arson by allowing the local taxing jurisdiction to share in the fire insurance proceeds. Hopefully, this law will serve as a deterrent to arson, which is a constant threat to every citizens' life and property.

Such legislation was well received by the cities. They noted that the law provided for the release or return of fire insurance proceeds to the landlord, if he guaranteed to restore the fire damaged premises to the same or improved condition than it was prior to the time that such municipal liens were imposed on the properties.

The cities recommended that Section 22 of the State General Municipal Law and Section 33-a of the State Insurance Law be further amended to include a municipal lien on fire insurance proceeds to pay for the cost of demolition of seriously fire damaged structures. Some owners refuse to take responsibility for badly damaged buildings, leaving them abandoned and in ruins. Because of the danger to the public, the city is left with the responsibility to demolish them at taxpayer expense.

(d) State Aid Program for Construction and Renovation of Low and Middle Income Housing.

Chapter 402, Laws of 1961, provided urban renewal grants to municipalities to supplement earlier loans and subsidies for the financing and construction of housing projects. In accord with Section 510 of the State General Municipal Law, the Federal Government provided grant financing for two-thirds to three-quarters of the cost of a housing project, if the municipality would pay the remaining one-third or one-quarter of the cost. The State agreed to assume one-half of the cost to the municipalities.

When the Federal Housing and Community Development Act of 1974 was passed, no local matching share was required. The State withdrew its commitment, determining that increased Federal funding would fully fund any new project which the municipalities chose to undertake.

The cities cite, as a consequence of this and the financial difficulties of the New York State Housing Finance Agency, lengthy delays in the construction of new units. Even when a developer had secured a Section 8 allocation under the Federal Section 8 rent subsidy program, additional mortgage assistance was not forthcoming.

(e) Better Coordination Between the County Social Service Departments and the Cities with respect to Housing Conditions.

Some land speculators purchase multiple dwellings or smaller homes and, because of the profit to be made, determine to rent only to welfare recipients. The New York State Department of Social Services establishes rent schedules for families on a county basis. Often such rates are far above the actual rental market values in individual cities within the respective counties. For example, for a family of six, the county housing rate may provide for a rent subsidy of $450 a month; in the city, more than adequate housing accommodations can be found at a rental value of $200 a month. By determining to rent only to welfare recipients, receive the county housing rate, and to let maintenance and repair on the property go, such landholders realize large profits. When the properties, because of under-maintenance, reach a certain stage of deterioration, they are often abandoned.

The cities, on behalf of the counties, inspect all buildings in the city offered as housing sites by the county social services department to welfare recipients. Regardless of the number of violations found by a city building department in a housing structure and the number of citations issued to the owner by the city, the county refuses to cooperate with the city to secure compliance with building codes by withholding rent payments to the owner.

The cities concern rests in the domino effect of such establishments, one building on a block becoming delapidated, which serves as an example for undermaintenance of the rest of the housing on that block. Secondly, they become frustrated by the lack of cooperation from the counties in attempting to maintain the city's housing stock. The cities suggest that the county social services agencies should be made more accountable for housing conditions where rents are paid and that such agencies should be given more authority in requiring welfare landlords to maintain housing.

(2) Rent Control

Both the State and the Federal Government have continued their concerns for rent stabilization.

Under the Federal Section 8 low income housing program, apartment owners rent a portion of their apartments to low income families for an amount they can afford to pay, ranging between fifteen and twenty-five percent of the gross family income. The Federal government subsidizes the owner by paying the difference between the rent paid by the family and the fair market rent for the apartment, as determined by Federal guidelines.

The State, through two enactments, the Emergency Housing Rent Control Law and the Emergency Tenant Protection Act, provides for the regulation of rents and the maintenance of all housing accommodations. The Emergency Housing Rent Control Law has been adopted in the cities of Buffalo, Rochester, Syracuse, and Yonkers.[33] New York City has its own rent control law. The Emergency Tenant Protection Act covers the regulation of rents on apartments not subject to residential rent control in New York City and Nassau, Westchester and Rockland counties.[34] Both laws were designed to protect tenants against unlimited rent increases and arbitrary and retaliatory evictions. In 1977, the New York State Legislature extended the coverage of the provisions of both laws until June 30, 1981. (Chapter 203, Laws of 1977).

In the interim, highly cognizant of increased utility and energy costs and the growing inability of owners to properly maintain rental structures, a New York State Temporary State Commission on Rental Housing has been created. This Commission is to report to the Governor and the Legislature on or before November 15, 1978, with recommendations for change, if any, in existing governing laws. The Commission is charged to study the supply, conditions, and economics of, and demand for, rental housing throughout the State; their relationship to, and effects upon, State and local economies; and the operations and effects of all State and local rent control laws and regulations. Pending the receipt of such a report, and the opportunity to analyze its proposals, the State Legislature is not expected to address the rent control issue during the 1978 session.

E. STREET MAINTENANCE ISSUES

(1) Arterial City Streets

Pursuant to Section 349-c, paragraphs 7,8 and 9, of the State Highway Law, the cities are responsible for the maintenance and repair of state highways which pass through the geographical jurisdiction of the respective cities. At the point at which such highways pass over the city limits, the State or the county assumes responsibility for the maintenance of such streets. Maintenance and repair of these streets includes the "regulation of street openings, provision for the care, protection, and patching of pavements and curbs; care and protection of drainage facilities and structures; the maintenance of adjacent roadside and landscaped areas; snow and ice removal; and the operation and care of traffic lights." Maintenance and repair does not include utility costs in providing street lighting, cleaning, sweeping and sprinkling such streets, these costs being borne exclusively by the city and its taxpayers.

The State provides some financial aid to the cities for the costs incurred by the cities in these activities, by paying annually to each city forty cents per square yard of the pavement area which has been formally designated as being included in the State highway system. In contrast, when the counties perform such services for the State on state highways outside of cities, the State reimburses the county for the entire cost of such service, including lighting and snow-removal costs.

Not all major state roads traversing a city are designated as "state highways." Many such roads, which could be delineated as state highways, have not been so designated in State law. In addition, the cities receive no State assistance for the maintenance and repair of extensions of other roads entering and passing through city boundaries, which are termed "touring routes". For example, the City of Syracuse, in addition to the arterials it maintains and receives reimbursement for, also maintains touring routes for which it receives no State aid at all, i.e. Routes 80, 5, 11, 92, and 298. Such routes, together with those roads currently designated as state highways, represent 817,316 square yards of streets for which Syracuse finances the cost of signing, lighting, sweeping, patching and paving, as well as police patrol.

The State reimbursement rate to the cities does not begin to approach the actual expenditures made by the cities to perform this service for the State. For example, the city of Syracuse's Department of Public Works has analyzed the cost of road maintenance and repair services. In 1976, the cost to the City, to maintain all roads designated as "state highways" and touring routes within its boundaries, was $326,906. Syracuse's Department of Transportation has determined that the cost of light signal operation, lighting, signing and painting, was $260,394 in 1976. Of this amount, the City estimates the lighting costs constituted $121,000. The State's reimbursement, at forty cents per square yard only for those roads currently designated as "state highways", Interstate 81 and 690, that year amounted to $59,896, approximately one half of the cost to the City to simply light Interstate 81 and 690, irrespective of the other road services the city performs in its care of these streets.

The cities contend that such streets are part of a metropolitan transit system, are heavily used by commuters who work in the city and live in suburban towns and, thus, that the maintenance and repair costs should be shared by all users of such streets and not borne solely by city taxpayers. They believe that the State and Federal highways construction programs were designed primarily to move traffic rapidly between, and through, large centers of population and, thus, in their passage through the cities, are more than simply city streets. They suggest that the city taxpayers are being asked to maintain such roads and routes for persons travelling through the State and for those people living outside the cities who work in the cities.

The cities request that Section 349-c, paragraph 8, of the State Highway Law be amended to provide State aid for all actual maintenance costs, including the costs of lighting and snow removal, on all highways which could be designated as state highways. The City of Buffalo estimated, in 1977, that 22.4 miles of its city's streets could be included in the state highway system, which would result in a savings to the City of Buffalo and its taxpayers of $840,000 annually. The cities suggest, further, that touring routes maintained by the county outside city limits, either become the responsibility of the county to maintain within the cities, or that the cities be compensated in full for their own actual expenditures for the maintenance and repairs of such roads. Buffalo estimates that, if the 76 miles of streets in Buffalo, which are designated touring routes, and which become the responsibility of the county to maintain upon leaving city limits, were made the responsibility of the County to maintain, such transfer of responsibility would result in a savings of $2.4 million annually to the City and its taxpayers.

This is an issue before the 1978 State Legislature.

(2) Inequities in the Financing of the State Highway System

Section 112 of the State Highway Law provides that the counties of the State and the City of New York shall be reimbursed ten percent of the amount of funds collected by the State on motor fuel imposed by Sections 284 and 284-a of the State Tax Law and on diesel motor fuel imposed by Sections 282-a and 282-b of the Tax Law. In addition, counties and the City of New York are reimbursed ten percent of the aggregate of registration and license fees for particular purposes collected within the respective counties or the City of New York. The aggregate sums are distributed quarterly to the counties in proportion to the total mileage of public highways in each county, outside of cities and incorporated villages, bears to the total mileage of public highways in the State, not including state and county highways. New York City receives quarterly ten percent of all such sums collected by the State. Such funds are to be used for the maintenance and construction of county and New York City roads and streets. The upstate cities receive no such aid.

The cities request inclusion in this State aid program by a percentage share for cities of such total State revenues similar to that now conferred on counties and New York City. In the alternative, they suggest that city streets be included in computing the ten percent share of fuel taxes paid to the county, each county being required to distribute sums received from the State on a quarterly basis in proportion to the total mileage which public streets and highways in the cities bear to the total mileage of such roads in the county. It is further suggested that, with respect to the amount returned to the counties from registration and license fees, the counties be required to return to the cities a sum which is the ratio of the population of the City to that of the total county population. Such an aid program could require an additional State appropriation for the "new" cities inclusion, or it could merely revise the method of distribution of monies to which the counties are currently entitled.

The upstate cities cite the precedent of New York City in justification of this request. This is an issue the 1978 Legislature may address.

(3) Reassumption by the State of the Local Share of Federally Aided Urban Systems Program (FAUS)

In 1968, the Federal government enacted and heavily funded a program called Traffic Operations Program to Improve Capacity and Safety (TOPICS). This program funded studies to improve traffic engineering programs in the cities and provided federal funds for capital improvements recommended by such studies to the State on a 70% federal - 30% local matching basis. Approximately at the time most such studies had been completed in the cities and a few capital improvement projects had begun, the Federal government discontinued this program. It enacted, in 1973, a new program entitled Federally Aided Urban Systems (FAUS). The basic thrust of this program was to fund construction and improvements in city streets. Originally, under the TOPICS program, the State had assumed the cost of the 30% matching share required of local governments. In its 1975-76 budget, the State eliminated the appropriation necessary to fund this matching share, thus requiring the cities to assume this new cost. In addition, the State permitted application by the cities for the Federal 70% share under the new FAUS program only on those streets within the State system, which did not include all streets in the cities for which the cities needed, sought, and were eligible under federal regulations, to receive assistance. The cities, thus, were precluded by the state from receiving federal matching assistance on non-state system streets. In this interlude, the cities, with more pressing fiscal concerns, found they could not allocate monies from their own resources to provide their individual 30% matching share, and, thus, were forced to drop out of participation in this Federal program.

In 1977, the New York State Legislature enacted Chapter 732, Laws of 1977, which removed the State restriction on local street construction and improvements on non-state highways, roads, or streets, and authorized the State to again assume the non-federal matching share on behalf of the cities, the amount of State assistance subject to the discretion of the State Transportation Commissioner and subsequent State budget recommendation (Section 80-b of the State Highway Law).

The 1978-79 State budget, as proposed by the Governor, recommends that the State reassume its obligation for urban streets. It recommends acceptance of $70 million from the Federal government, a State appropriation of $24 million for the State's share of the cost of this program, and requires local government to contribute $6 million of their own monies to participate in such projects.

Although the authorization exists, by virtue of Chapter 732, Laws of 1977, for the State to assume the full matching share on behalf of local governments, the Governor's budget calls for local financial participation.

This is an issue before the Legislature in 1978.

F. EDUCATIONAL ISSUES

1. Fiscally Dependent School Districts

Article XI, Section 1, of the New York State Constitution requires the State Legislature "to provide for the maintenance and support of a system of free common schools, wherein all of the children of this State may be educated." The New York State Temporary State Commission on the Constitutional Convention in 1967 noted that the Constitution designates education as a state responsibility, its provision as such being an exception to the home rule powers which have been granted to local governments in Article IX of the Constitution. Article 52 of the State Education Law established the governing relationship between the schools and the city for the cities of Buffalo, Rochester, Syracuse, Yonkers and New York City.

Section 2576 of Article 52 of the State Education Law, by requiring the board of education of each of these cities to annually prepare and submit to the city an estimate of its financial needs for the ensuing fiscal year, establishes the schools as fiscally dependent upon these cities. In this respect, the Big Five cities are uniquely distinct from all other school districts in the State. All other school districts in the State are independent of municipal government financially and in all other respects of educational policy making. Only within the Big Five cities do educational expenditures compete for funds within the same budget that controls expenditures for all other governmental purposes.

Section 2580 of the Education Law requires that all public monies appropriated to education by the city or by the state or received for education shall be used only for educational purposes "as authorized in this chapter". Municipal service charges for municipal services received by the schools are precluded from being levied by the city upon the school district because the use of education monies for such purposes is not so authorized.

2. State Education Aid Formula

Section 3602 of the State Education Law details the formula by which State aid is distributed among the several school districts in the State. Numerous commissions have documented its inequities in the finance of large city schools and the consequences to these districts which have the largest enrollments of disadvantaged and handicapped students.

The chief criticisms may be summarized as follows: (1) The measurement of State aid by pupil attendance rather than enrollment, to the large cities with high absenteeism rates, results in a major reduction in operating expense aid to the Big Five. (2) The flat grant and save harmless provisions have resulted in approximately 699 of the State's 708 school districts qualifying for State aid not pursuant to the aid formula, which provides for a reduction in aid because of increasing property values and declining school populations, but by reference to what the district received in some past year. (3) To the big cities with the highest concentrations and numbers of disadvantaged, handicapped, and other students with special needs, the weightings in the aid formula for disadvantaged and non severely handicapped students yields reduced supplemental aid for the expensive to educate city students, because they are applied to an arbitrarily low pupil unit figure which results from the State's unrealistic calculation of city "wealth". (4) The aid formula denies secondary school weightings for such students. (5) The aid statute denies cities the favorable BOCES and transportation aid formulas which prove more lucrative for property rich districts than for poor ones. It has been estimated that these severe reductions in aid for students with special needs means the annual denial of approximately $80 million in state education aid to the Big Five.

The constitutionality of the State aid formula is presently the subject of litigation in the case of Levittown v. Nyquist.

3. Independence of the School Board

Section 2554 of the State Education Law confers on the board of education exclusive control over the management, governance, educational program, textbooks, sale of property, and expenditures of the schools.

Section 2576 of the Education Law provides that the board of education of each of the Big Five cities must annually prepare an estimate of its financial needs for the ensuing fiscal year and submit it to an appropriate officer or department of the municipal government for action by the city's legislative body. The City council may increase, diminish, or reject the total sum recommended by the board of education. The city may not, however, reduce particular items in the education estimate of expenditures (Fuhrmann v. Graves, 235 NY 77). The city must, further, entertain any requests for supplemental appropriations for education during the subsequent fiscal year. Several cities have had the experience of reducing the original request for appropriations for education when framing the budget only to find requests for supplemental educational appropriations totalling the same as the original and rejected request for educational expenditures. The board of education controls its disbursements and its own audit of its educational expenditures. A city may audit the expenditures of its fiscally dependent school district only if there is evidence of illegality, fraud or mathematical error (Brennan vs. Board of Education, 245 NY 8). The board of education, however, may not compel emergency expenditures by the city upon which is placed the general responsibility for municipal financial safety (De Angelis vs. Laino, 257 NYS 154, affmd 260 NYS661).

Unlike the upstate cities, the City of New York is required to spend a fixed proportion of its total revenues on education, an amount equal to the average of the last most recent three fiscal years of such appropriations. Chapter 132, Laws of 1976, was upheld by the New York Court of Appeals which ruled such law did not violate home rule provisions of the State Constitution. (Board of Education of New York City School District v. City of New York, 394 NYS 2nd 148).

Section 2553 of the Education law governs the manner of appointment or election of the members of the board of education of each upstate city school district. In Buffalo, Rochester and Syracuse, the members of the board are chosen by the voters at large. In Yonkers, the members of the board are appointed by the mayor. Section 2590-b delineates the procedure in New York City, two members of the board being appointed by the mayor and the remaining five being appointed by each of the five borough presidents.

The Mayor of New York has stated publicly his need for greater control over educational expenditures in the City. Proposals have ranged from abolition of the board of education and appointment of a school chancellor directly responsible to the Mayor to less dramatic alternatives such as appointment of the board by the mayor alone. The city is expected to recommend a change during the 1978 Session.

4. Levittown v. Nyquist

In 1974, this case was initiated by twenty seven school districts in the State. It was later joined by the fiscally dependent school districts of New York City, Buffalo, Rochester and Syracuse. The case challenges the constitutionality of the State aid for education formula and the method of financing the schools by reliance on the property tax. The case poses the same questions raised in the 1971 Serrano v. Priest (5 Cal. 3rd 584, 487 P. 2nd 1241) decision and subsequent court decisions in other states, twenty four states now judicially mandated to assume the locally borne costs of education. In the Serrano case the court ruled that "The level of spending for a child's publicly financed education should not depend upon the wealth of the child's school district or family. The basic complaint of all such cases is:

> "....that the legislatures have created school finance schemes wherein expenditure levels are directly related to property wealth contained within the boundaries of artifically created school districts, that state aid formulas do not make up for the differences in local property wealth and in many cases actually widen the gap between rich and poor

> districts, and that the statutory schemes are replete with provisions that are inconsistent, anti-equalizing, or which serve no rational purpose."[35]

The case is unique among school finance cases because it was filed on behalf of both suburban and urban school districts, with city districts presenting arguments exclusive from those of the suburban school districts.

The cities position revolves around four arguments. (1) The city districts capacity to finance their schools is sharply reduced by the "municipal overburden" drain of non-educational services on the local tax dollar. (2) The cities' capacity to finance their schools from local revenue is sharply curtailed by the reduced purchasing power of the urban education dollar. (3) The measurement of State aid by pupil attendance rather than enrollment overstates the cities' fiscal capacity and doubly penalizes them for their absenteeism overburden. (4) Although burdened with the greatest concentrations of special need students, the city districts receive smaller State aid supplements for such students. They, therefore, conclude that New York's operating expense aid formula, providing less aid to the city districts with reduced ability to carry the greatest public education burdens, negates the statute's equalization purpose and violates the equal protection clause of the State and Federal Constitutions. In disregarding the vast education overburdens of city school districts and granting them less assistance, the State aid formula violates the right to education clause of the New York State Constitution.[36]

The State contends that the case should be dismissed. It argues that: (1) education is not a fundamental right under the Federal Constitution as was so held in the precedent setting case of Rodriquez v. San Antonio; (2) Article XI, Section 1, of the New York State Constitution does not guarantee educational equality and merely accords the State Legislature the responsibility to continue a system of public education; and (3) the Legislature historically has encouraged local control of education and a variety of educational opportunities. The State contends that the education finance decisions in other states, mandating state finance of educational costs, should not apply in New York State because New York provides the highest level of educational expenditures in the nation; has the highest level of state aid of any populous state; guarantees an equal per pupil grant irrespective of the real property tax; provides significant aid for the handicapped, for school districts with concentrations of under-achieving students, and for poor districts which tax themselves at a high level.

Arguments have been heard throughout 1975 and 1976. A decision has been anticipated since the summer of 1977 from the Supreme Court, County of Nassau. Because of the lateness of the decision, it may be that the court has accepted the plaintiffs' post trial recommendation:

> ".....We request that the Court retain jurisdiction for a reasonable time to permit the legislature to modify the (financing) scheme so that it will satisfy these constitutional requirements and, in the absence of reform within a reasonable period, that an injunction issue against further operation of the present scheme."[37]

On the other hand because of the voluminous testimony received by the Court in this case and the importance of the decision, it may be that a judgment will not be issued by the Court until the winter of 1978.

G. CIVIL SERVICE ISSUES

1. Binding Arbitration

Section 209 of the State Civil Service Law provides for an arbitration proceeding if local public employers and police and fire unions outside New York City reach an impasse in negotiations and are unable to enter into written agreements acceptable to both parties with respect to terms and conditions of employment. The binding arbitration procedure was enacted on a three year experimental basis by Chapter 724 and 725 of the Laws of 1974. The concern of the State Legislature, at that time, was the need to provide for an equitable and efficient method for resolving contractual impasses, which might otherwise result in continuing conflict and possible disruption in the delivery of essential municipal services, i.e. police and fire protection.

The adoption of the binding arbitration procedure was opposed by local government officials on several grounds. Their chief objection to the procedure was that it would permit disinterested third parties as arbitrators in the dispute to devise an agreement, which must be accepted by the public employer and the employee organization. The arbitration panel, in the view of municipal officials, forces elected city officials to accept a level of expenditure in a particular municipal service area. They contend that they were elected by their constituencies to determine municipal fiscal priorities within existing revenues and to decide whether a particular increase in expenditures should take precedence over other demands on existing or even diminishing municipal revenues. The result is that elected city officials are unable to directly control the major expenditure items in their budgets and are forced to increase tax rates to meet the mandated levels of expenditures. They contend that settlements have been imposed by arbitrators which have needlessly inflated city personnel costs and that the public and financial ability of the city employer to pay does not receive adequate attention in devising a labor settlement by the arbitration panel or in subsequent judicial reviews.

The New York State School of Industrial and Labor Relations at Cornell University evaluated this experiment with binding arbitration as a final step in an impasse proceeding, rather than the earlier procedure in which factfinding and the legislative hearing served as the final stages in the resolution of labor disputes. Their report, An Evaluation of Impasse Procedures for Police and Firefighters in New York State, found that "the average arbitration award closely approximated the average negotiated settlement." The study recommended the continuance of binding arbitration with certain modifications.

In 1977, the New York State Legislature enacted Chapter 216 of the Laws of 1977, extending binding arbitration for fire and police contract negotiation impasses for an additional two years, until July 1, 1979. The arbitration procedures were modified to eliminate the fact-finding step between mediation and binding arbitration and to permit immediate petition to the State Public Employment Relations Board for a public arbitration panel. The cost of the arbitration panel's public member and the cost of a complete record of the panel hearings are to be shared equally by the public employer and the union. The panel is required to specify the basis and reasons for its findings. All such award determinations are subject to judicial review in accord with specified legislative standards.

2. Civil Service Reform

The New York State Temporary Commission on Management and Productivity, working in conjunction with the New York State Civil Service Department, has initiated several reports over the past two years in its study of the need for civil service reform. The primary emphasis of the reports revolve around the merit system, job promotion, and the attitude of employees. The New York Personnel Council, established in 1954 as a voluntary organization of professional employees from the several agencies and departments of New York State Government, in January 1977, issued a Report to the President of the New York State Civil Service Commission entitled An Evaluation of the Merit System with Twenty-one Recommendations for Change. Significant changes were proposed, including, among others, developing alternatives to the present "Rule of Three" used in hiring and promoting State and municipal employees, transferring major responsibility for classification activities to operating agencies, and instituting merit salary increases and promotions. In May 1977, the New York State Association of County Civil Service Officers expressed its recommendations for change. The New York State Civil Service Employees Association, not anticipated to be in sympathy with the proposals of the Personnel Council, will issue its comments on reform in March or April of 1978.

The cities have been most interested in proposed reform measures needing, in particular, greater flexibility in utilization of manpower and relief from costs introduced by the State into the system of municipal/employee contracting and employment terms and conditions. As one city official commented:

> "The elaborate and intricate set of rules and regulations of civil service have impeded efforts to improve productivity, eliminated employee performance as a basis for reward and/or dismissal and, in general, blocked effective personnel management in the public sector."

New York City is currently experimenting with "broadbanding", or the grouping of several position titles under one general classification, to permit greater flexibility for employees. It is hoped such measures will eliminate overcredentialism and make municipal positions more personally challenging and satisfying for employees.

At this writing, the New York State Civil Service Department has been working with the Civil Service Merit Council and the Personnel Council with respect to changes in the Taylor Law and the Merit system. Reportedly, the Governor is willing to offer several legislative changes.

Reform proposals are a matter of great concern to the cities during the 1978 session.

CONCLUSION

The cities are entering a new era of responsibility with a renewed commitment to continued financial constraint. The independent fiscal capacities of the cities are inadequate to the tasks ahead. The constitutional questions and practical needs of the cities affect the lives of countless citizens living in the cities and the continued survival of cities as cornerstones of Federal and State government structures.

The future of the cities rests in their hands and in their individual pursuit of economic stabilization and development. In this venture, the cities seek to cooperate with the New York State Legislature and the Federal Government to meet the challenges of the day.

CHAPTER V

LEGISLATIVE PROPOSALS

Reform recommendations from universities and research commissions, State and National, have often proposed solutions to urban problems premised in the realm of the possible. These lucid dreams, although possible answers, require change of such a dimension which the public is unable to accept or unwilling to undertake, however right such proposals ultimately may be.

The proposals to be presented in this report may prove academically unchallenging. They evolve from the realm of the practical and may ultimately provide measures of immediate assistance to the cities. The state of the State's economy and that of the Nation necessitate such a pragmatic approach. Several alternatives will be offered which may ease the financially precarious positions of these cities.

The New York State Senate Standing Committee on Cities seeks the cities as partners in the resolution of their problems. It invites their attention and assistance in developing these, or other, suggestions for possible legislation. These proposals have been gleaned from thoughts expressed by legislators, study commissions, testimony received at public hearings, and include our own observations. The Committee does not endorse any specific proposals, but suggests they be viewed as a means to develop a dialogue which may lead toward a solution.

1. To attract new business and thus enhance employment opportunities for city residents, tax incentives for small businesses, or those employing less than 100 employees, should be devised and implemented as a tool for the cities discretionary use in their individual economic development planning.

2. To assure access to funding beyond the resources of the market, and to assure municipalities access to the market, a municipal investment guarantee fund should be created. A specific share in this fund, based on an agreed formula, would be contributed by each participating community. The criteria

for membership in such a fund, to be proposed by the MIGF, would be based upon Moody's and Standard and Poor's ratings, an approved balanced budget certified by the New York State Department of Audit and Control, and the satisfactory meeting of State financial standards as promulgated by the New York State Department of Audit and Control.

3. To assist in the prevention and further deterioration of the city's housing stock, a State aid program for housing and building code enforcement should be provided.

4. To ease the strain of tax exempt properties upon municipal tax bases, it has been suggested that the cities be permitted to levy real property taxes on land owned by State, Federal and public authorities which such titleholders have leased back to private industries or commercial entities for private profit-making activities.

5. To ease instability in city budget preparation and to accord the cities credibility with its employees, the "municipal overburden" legislation, should be continued and, in fact, made permanent.

6. All State mandates upon municipalities should be reviewed, so that a determination with respect to their validity can be made and appropriate measures taken to provide greater flexibility to the cities in meeting such mandates. If a mandate is necessary and essential as a matter of State policy, then the State should assume its responsibility by providing the necessary funds for implementation.

7. To ease the restrictions placed upon the cities by constitutionally established tax and debt limits, several measures have been proposed. The suggestions range from: (a) limiting the real property tax rate increase to a percentage of previous property tax revenues, or to a percentage of the rise in the cost of living; or (b) substituting, for the present five year moving average of full valuation of real property, a three year average. Still others have suggested fundamental and far-reaching reform, which would tax land at higher rates than improvements on such real property. Others have reflected that the present constitutional tax limit is restricted to the real property tax and should more properly include all revenue sources.

8. As has been observed earlier in this report, the State revene sharing or per capita financial aid program is of major importance to the upstate cities and provides a considerable sum to the City of New York. It has been proposed that the formula by which such funds are set aside by the State from its revenues should be restored from its current eighteen percent level of total personal income tax collections to the originally proposed and adopted level of twenty one percent of such collections. In the alternative, to reassure the cities of the State's commitment to them, it has been suggested that each year an additional one percent be added to the previous year's share to a maximum of twenty five percent of all personal income tax receipts.

9. The present method of calculating the State's subsidy program for public housing projects in the cities should be reviewed. It has been suggested that the formula base should be changed from debt costs to total operating costs. In the alternative, a measure to require that the State, rather than the cities, assume the deficits incurred in operating expenditures of such projects, has been recommended.

10. The State aid to education formula should be restructured to provide greater assistance to the urban schools. One method often proposed, to increase educational aid, would involve a change in the formula, shifting the per capita base from those in average daily attendance to total school enrollment. Another measure suggested would include all children in both public and private schools to determine the per capita wealth of the school district.

11. The 30% share, originally assumed by the State, should be restored so that the cities may fully participate in the Federally Aided Urban Systems program, which provides 70% of the funding necessary for the reconstruction and construction of city streets.

12. Essential municipal services, it is felt, should receive greater attention and support from the State and Federal government. Police and fire protection are basic urban services. Consideration should initially be given to State assumption of the cost of training public safety officers.

13. The service charge law, known as the "Henderson" Law or Chapter 417, Laws of 1971, which would require the state to pay localities a sum for city

services to State tax exempt properties, has been severely criticized by State commissions and is, at present, an unworkable statute. Because of the many problems connected with its implementation, the effective date of the law has been postponed. Several recommendations have been received by the Committee ranging from complete repeal to a thorough overhaul of the formula and implementing procedures. It has been suggested that a Task Force be created to delve thoroughly into the intricacies of implementing this concept and to develop workable proposals for legislation.

14. Consideration might be given to State assumption of all railroad tax delinquencies incurred throughout their bankruptcy and subsequent reorganization, and a one time reimbursement of such costs made by the State to the affected cities.

15. To assist the cities in their fight to constrain and remove the ravages of urban blight, it is the understanding of the Committee that savings banks would be willing to form a consortium to provide up to two percent of their capital assets for a rehabilitation fund for use in blighted areas of the cities and, further, would be willing to consider the granting of such monies in long term mortgages so that owners might be able to care for their homes and small businesses. Statutory authorization which presently exists should be utilized.

16. With the Federal government becoming heavily involved in economic and community development activities, it has been proposed that cities should be represented on regional planning boards.

17. The rapid increase in real property tax delinquencies is a major concern to the cities. Several proposals to deal with various ramifications of this issue have been made. They include: (a) legislative permission for cities to sue non-resident homeowners for default on taxes through a "long-arm" statute; (b) legislative permission for municipalities to proceed against owners of properties on which taxes have been delinquent for one year, rather than having to wait two or three years before instituting such proceedings.

18. Abandoned single and two family dwellings have become a hazard to the public's safety in the cities. Proposals have been offered to permit cities to take title within one year to prevent more severe destruction or the possibility of arson.

19. To further ease the financial requirements for the repair and maintenance of city arterials, it has been suggested that certain city streets, those which connect with State and county highways at city limits, be designated State or county highways and the repair and maintenance work and costs be assumed by these other governmental jurisdictions.

20. A bill was enacted during the 1977 Legislative Session which permits the cities to have a lien on fire insurance proceeds for payment of delinquent taxes on such properties. This should be made applicable to one and two family dwellings. It has been suggested that the provisions of this law should be extended to encompass the costs to the municipality to demolish severely fire damaged structures.

21. Deterioration and tenant destruction have forced the cities to close several buildings. A one time State aid program to pay the full cost of the modernization and rehabilitation of public housing projects has been proposed.

22. The cash flow problems of the cities have been remarked upon by several commentators. Currently State revenue sharing or per capita aid is paid to the cities once a year, on June 25th, in a lump sum payment. It has been suggested that State revenue sharing funds be forwarded to municipalities on a quarterly basis, much as State aid to education is currently paid. Even if State revenue sharing aid should continue to be paid on an annual basis, it has been recommended that the cities be permitted to pay their annual retirement and social security costs after they have received their State revenue sharing aid.

23. At present, ten percent of the revenues received by the State from fuel taxes, registration and vehicle license fees are returned to the counties representing State aid for street and road maintenance. It has been suggested that an additional five to ten percent of such state revenues be reserved for the use of the cities to meet their street maintenance and repair costs.

24. The State now pays ninety percent of the costs to transport school children to and from school. It has been suggested that a measure of great assistance to the cities would be full state funding of such transportation costs.

25. The cities find enforcement of their housing code standards difficult to accomplish. It has been suggested that, with the cooperation of county social service departments, most serious housing code violations could be corrected in the cities. It has been proposed that the county social service departments be required to withhold automatic rent subsidy payments from landlords until such owners correct housing code violations.

26. The cities, in their economic development activities, might be assisted by legislative permission to create neighborhood development corporations to assist existing businesses and to attract new small business development.

27. It has been proposed that industrial development agencies powers be expanded to further assist the cities in their downtown and other community redevelopment activities.

28. A further suggestion would permit the establishment of uniform special assessment districts in downtown areas of the cities, so that businesses in the designated area might cooperate with the city in its targeted renovation actions.

29. As a measure of major cost savings proportions to the State, it has been suggested that the New York State Department of Social Services establish rent payment schedules for the housing of recipients of public subsidies at rates based on actual rental values in the cities, rather than the current aggregate county rental rates.

30. To assist homeowners aged 65 and older to remain in their homes, such homeowners are currently authorized under the Banking Law to apply for a loan equal to the amount of real property taxes and other city charges, which obligation shall become a first or second mortgage on the property. It has been proposed that a procedure to implement this practice would strengthen this law.

31. With respect to the financial difficulties some cities have experienced in the recent past, it has been suggested that fiscal oversight mechanisms might be established in the individual cities. Several proposals have been received which suggest that an independent financial monitoring report should be made each year and that a financial control board be authorized on a voluntary basis. The New York State Department of Audit and Control, which now audits and

reports to municipalities on unsound financial practices, should be responsible to follow up and work with the cities in eliminating the improper practices.

32. The need for greater State support of local public assistance costs must be achieved, either by a larger percentage share or a complete assumption of these costs.

33. Innumerable study commissions and university scholars have for years cited the high costs of education. They have, in concert, recommended complete assumption by the State of all costs entailed in the financing of elementary and secondary education. At least the real property tax should be frozen at present levels and the State should assume the added costs.

34. In 1977, the New York State Legislature increased the minimum income, which an elderly citizen may have to qualify for a partial property tax exemption, to $7200. Relief for older New Yorkers is a matter of State concern. Recommendations have been made to enact a State program to reimburse municipalities for revenue lost to the municipalities as a result of the granting of tax exemptions for senior citizens.

35. It has been proposed that the economic development of the cities could be significantly assisted if the current authorization to offer real property tax exemptions to commercial and industrial developers, were expanded to include the development of multi-family residences, and conversion of non-residential properties to residential use. Authorization to offer such partial exemption on a case by case basis should be provided to the cities.

36. In 1976, the New York State Legislature enacted Chapter 853, Laws of 1976, providing for special educational services for handicapped children. The financial assistance program provided in this legislation permits State reimbursement of the cost of such educational activities on the basis of the number of children enrolled in such programs in the past, and not current, school year. Further, no initial "start up" costs for implementing this program are funded by the State. Because handicapped children are concentrated in the urban schools, it has been proposed that additional aid for the handicapped be provided for the city schools.

37. Large city school districts are not allowed to form or join Boards of Cooperative Education Services (BOCES) and, thus, are precluded from receiving state aid for many services provided at lower cost to BOCES participants. It has been suggested that such school districts be permitted to effect cost savings by joining neighboring BOCES.

38. It has also been suggested that those handicapped children who can not be educated in the local school district should be covered under Section 4201 of the Education Law and be assigned to a state certified school where the full excess costs would be paid by the State.

39. Urban renewal land disposal procedures could be streamlined and made less time consuming for the cities and interested developers, if the review and approval of the New York State Commissioner of Housing and Community Renewal of each parcel of land in an urban renewal project, were eliminated. It is suggested that the cities simply be required to follow the specifications of the law and the rules and regulations of the State Housing Division, subject to State audit.

40. Owners of older downtown buildings often have difficulty competing with owners of newer suburban buildings for state lease contracts. It is difficult to find financing for the renovation costs of older buildings without the owner's assurance of stable long-term leases. In order to stabilize the financial situations of older buildings located in downtown areas of the cities, it is suggested that the State be authorized to make leases with owners of such buildings for ten years.

The New York State Senate Standing Committee on Cities is hopeful that these suggestions may prove helpful in solving some of the problems of the cities. We welcome the assistance and advice of the cities in developing specific legislative proposals in the days and weeks to come.

ACKNOWLEDGMENTS

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FOOTNOTES

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